

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT, WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY THESE SECURITIES BE ACCEPTED BEFORE THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE A SALE OF, THESE SECURITIES IN

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2025

**Book-Entry Only
New Issue – Bank Qualified**

**Rating: “ ” Moody’s (Enhanced)
See “RATING” herein**

In the opinion of Bond Counsel for the Bonds, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the Board, and subject to the conditions and limitations set forth herein under the caption “LEGAL MATTERS – Tax Treatment,” interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds is exempt from Kentucky income tax, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.



\$4,035,000*
**BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025**

Dated: Date of Issuance

Due: August 1, as shown below

Interest on the above-captioned Bonds (the “Bonds”) will be payable from their dated date, on each February and August 1, commencing February 1, 2026, and the Bonds mature on each August 1, as shown below:

Maturing		Interest	Reoffering	Maturing		Interest	Reoffering		
1-Aug	Amount*	Rate	Yield	CUSIP	1-Aug	Amount*	Rate	Yield	CUSIP
2026	\$10,000	%	%		2036	\$265,000	%	%	
2027	\$10,000	%	%		2037	\$280,000	%	%	
2028	\$10,000	%	%		2038	\$290,000	%	%	
2029	\$70,000	%	%		2039	\$305,000	%	%	
2030	\$70,000	%	%		2040	\$320,000	%	%	
2031	\$70,000	%	%		2041	\$340,000	%	%	
2032	\$70,000	%	%		2042	\$350,000	%	%	
2033	\$75,000	%	%		2043	\$370,000	%	%	
2034	\$75,000	%	%		2044	\$390,000	%	%	
2035	\$255,000	%	%		2045	\$410,000	%	%	

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See “THE BONDS – Book-Entry Only System” herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Registrar. Interest payments will be mailed by the Paying Agent and Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. The principal of and interest on the Bonds may also be paid by any other transfer of funds acceptable to the Paying Agent and Registrar and the registered owner of the Bonds. See “THE BONDS” herein.

The Bonds are subject to redemption before their stated maturity, as described herein.

The District deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), except certain information on the cover page hereof and certain pages herein that has been omitted in accordance with the Rule and which will be provided with the final Official Statement.

The Bonds are offered when, as, and if issued, subject to the approval of the legality and tax exemption thereof by Steptoe & Johnson PLLC, Louisville, Kentucky, as Bond Counsel. The Bonds are expected to be available for delivery on or about July 29, 2025.



* Preliminary, subject to change.

MAGOFFIN COUNTY BOARD OF EDUCATION

Rodney Ward,
Chair

Jesse Rudd, II,
Member

Doug Collinsworth,
Member

Jimmy Gullett,
Member

Doug Wireman,
Member

Chris Meadows,
Superintendent/Secretary

Jeremy Wood,
Treasurer

BOND COUNSEL

Step toe & Johnson PLLC
Louisville, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

U.S. Bank Trust Company, National Association
Louisville, Kentucky

REGARDING THE USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Board identified on the cover page hereof. No dealer, broker, salesman, or other person has been authorized by District to give any information or to make any representations, other than those set forth in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been given or authorized by the Board or the Municipal Advisor. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, and there shall not be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board or the District since the date hereof.

Upon their issuance, the Bonds will not be registered by the Board under any federal or state securities law and will not be listed on any stock exchange or any other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, or other governmental entity or agency, except the Board, will have passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All of the financial and other information presented in this Official Statement has been provided by the District from its records, except any information expressly attributed to other sources. The presentation of this information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that the past experience of the District, as is shown by the financial and other information presented in this Official Statement, will necessarily continue or be repeated in the future. Insofar as the statements contained herein involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized. In addition, such statements should also be regarded as suggesting independent investigation or consultation of other sources before the making of any investment decisions. Certain information contained in this Official Statement may not be current; however, attempts were made to date and document all sources of information. Neither this Official Statement nor any oral or written representations made by or on behalf of the Board prior to the sale of the Bonds should be regarded as part of the Board's contract with the successful bidder or the holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the District's ordinances or resolutions, in each case, are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

As used in this Official Statement, "debt service" means the principal of and premium (if any) and interest on the obligations referred to "Board" means the Board of Education of Magoffin County, Kentucky, "District" means the Magoffin County (Kentucky) School District, and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

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\$4,035,000*
BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and appendices hereto, is to set forth certain information relating to the issuance of \$4,035,000* aggregate principal amount of General Obligation Bonds, Series 2025 (the “Bonds”) of the Board of Education of Magoffin County, Kentucky, as specified on the cover page hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and a guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page hereof and appendices hereto, and the documents and laws summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Bonds are being issued by the Board of Education of Magoffin County, Kentucky (“Board), as governing body of the Magoffin County School District (the “District”), a school district and political subdivision of the Commonwealth of Kentucky. The District is located in Magoffin County, Kentucky.

The issuance of the Bonds is authorized by (a) Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes, as amended, (b) Section 160.160 of the Kentucky Revised Statutes, as amended, and (c) a resolution duly adopted by the Board on June 5, 2025 (the “Bond Resolution”).

The Bonds are being issued for the purposes of (i) financing bus garage renovations and a high school multi-purpose building (collectively, the “Project”), and (ii) paying the costs of issuance of the Bonds.

The Bonds are a general obligation of the Board. The basic security for the Bonds is the Board’s ability to levy, and its pledge to levy, an annual tax in order to pay the principal of and interest on the Bonds as and when the same become due and payable (see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” herein).

The Bonds are offered when, as, and if issued by the Board. The Bonds will be delivered on or about July 29, 2025, in New York, New York, through the Depository Trust Company (DTC).

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the related continuing disclosure documents of the Board are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Bond Resolution and the bond forms, may be obtained from Steptoe & Johnson PLLC, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222. Additional information regarding this Official Statement or the District, including financial information of the District, is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (859) 977-6600, Attention: Lincoln Theinert.

The Board deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), except for certain information on the cover page hereof and certain pages herein that has been omitted in accordance with the Rule and will be provided with the final Official Statement.

* Preliminary, subject to change.

THE BONDS

Description of the Bonds

The Bonds will be dated their date of initial issuance and delivery and will bear interest from such date at the rates set forth on the cover page hereof. The Bonds are being issued as fully registered bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds will be payable semiannually on each February 1 and August 1, commencing February 1, 2026, from the later of the date of issuance or the Bonds, or the most recent date to which interest has been paid or duly provided for, and shall be paid by check or draft mailed by U.S. Bank Trust Company, National Association, as Paying Agent and Registrar for the Bonds, to the registered owners thereof, as of the applicable record date set forth below, at their respective addresses appearing on the books of the Paying Agent and Registrar. The principal amount of the Bonds shall be paid when due to the registered owners thereof, upon the surrender of the Bonds at the designated corporate trust office of the Paying Agent and Registrar located in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may also be paid by any other transfer of funds acceptable to the Paying Agent and Registrar and the registered owners thereof. The record date for each February 1 and August 1 interest payment date shall be the preceding January 15 and July 15, respectively.

Authority for Issuance

The issuance of the Bonds is authorized by (a) Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes, as amended, (b) Section 160.160 of the Kentucky Revised Statutes, as amended, and (c) a resolution duly adopted by the Board on April 14, 2025 (the "Bond Resolution").

Redemption Provisions

Optional Redemption. The Bonds maturing on and after August 1, 2034, shall be subject to optional redemption on August 1, 2033, or any date thereafter, in whole or in part, in such order of maturity as may be selected by the District, and by lot within any maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

[Mandatory Sinking Fund Redemption. The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity, at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:]

<u>Maturing August 1, 20[]</u>	
<u>Date</u>	<u>Amount</u>
August 1, 20__	\$
August 1, 20__	\$
August 1, 20__ *	\$
<hr/>	
*Final Maturity	

Notice of Redemption. If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, the particular Bonds or portions thereof payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Registrar, in such manner as the Paying Agent and Registrar, in its discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting Bonds for redemption, the Paying Agent and Registrar shall treat each Bond as representing the number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption, signed by the Paying Agent and Registrar, to be mailed, postage prepaid, to all registered owners of the Bonds, or portions thereof, to be redeemed, at their addresses as they appear on the registration books maintained by the Paying Agent and Registrar; provided, however, that the failure to mail such notice shall not affect the validity of the proceedings for such redemption. Each notice of redemption shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of such Bond to be redeemed and shall include a statement that on or after the date fixed for redemption, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for the payment of the redemption price being held in a separate account by the Paying Agent and Registrar for the registered owners of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable, at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of their Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or their attorney or legal representative shall present and surrender such Bond to the Paying Agent and Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the Board shall execute and the Paying Agent and Registrar shall authenticate and deliver to or upon the order of such registered owner or their legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered, of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Defeasance

The Bond Resolution permits the Board to defease any of the Bonds before the stated maturity thereof if (i) the District shall have given notice of the redemption of such Bond or Bonds in accordance with the Bond Resolution or shall have provided for the giving of such notice at the appropriate time, and (ii) there shall have been deposited with the Paying Agent, or any other fiduciary, either (a) moneys in an amount sufficient, or (b) Defeasance Obligations, the principal of and the interest on which, when due, will provide moneys in an amount which, together with any moneys deposited with the Paying Agent or other fiduciary at the same time, shall be sufficient, in either case, to pay, when due, the principal or redemption price, if any, and interest due and to become due on such Bonds on and before their stated maturity, the applicable redemption date, or the immediately succeeding interest payment date thereof, as the case may be. Neither any Defeasance Obligations, nor any moneys so deposited with the Paying Agent or with such other fiduciary, nor any principal or interest payments received from any Defeasance Obligations, shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or redemption price, if any, of any of the Bonds and any interest thereon; provided, however, that any cash received from such principal or interest payments on such Defeasance Obligations and deposited with the Paying Agent or any other fiduciary, if not then needed for such purposes, shall, to the extent practicable, be (1) reinvested in Defeasance Obligations maturing at such times and in such amounts as shall be sufficient to pay, when due, the principal or redemption price, if any, and interest to become due on any Bonds on and before their stated maturity, the applicable redemption date, or the immediately succeeding interest payment date thereof, as the case may be, and (2) paid over to the Board, following the full discharge and payment of such Bonds, free and clear of any trust, lien, or pledge.

For the foregoing purposes, “Defeasance Obligations” means:

(a) non-callable direct obligations of the United States, including U.S. Treasury bills, notes, bonds, and zero coupon bonds, U.S. Treasury Obligations – State and Local Government Series (SLGS), and direct obligations of the U.S. Treasury that have been stripped by the Treasury itself, including CATS, TIGRS, and similar securities;

(b) non-callable obligations issued or guaranteed by the Government National Mortgage Association which are backed by the full faith and credit of the United States; and

(c) non-callable senior debt obligations issued or guaranteed by any Federal Home Loan Bank or any Federal Home Loan Bank Board or by the Farm Credit System, the Federal Home Loan Mortgage Corporation, or the Federal National Mortgage Association.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry only system maintained by The Depository Trust Company (DTC). When issued, the Bonds will be registered in the name of Cede & Co., as the nominee of DTC. The purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as the book-entry only system of DTC is used, only DTC will receive, or have the right to receive, physical delivery of the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Bond Resolution. In addition, so long as DTC or its nominee is the registered owner of the Bonds, the Paying Agent and Registrar will make all payments of principal and interest due on the Bonds directly to DTC. For additional information regarding DTC and the book-entry only system see “Appendix G – Book-Entry Only System” hereto.

THE INFORMATION SET FORTH IN THIS SECTION AND APPENDIX G ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE BOARD BELIEVES TO BE RELIABLE, BUT THE BOARD TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General Obligation

The Bonds are general obligations of the Board, and the full faith, credit, and taxing power of the Board are irrevocably pledged to the payment of the principal of and interest on the Bonds as and when due and payable. The basic security for general obligation indebtedness of the Board, including the Bonds, is the Board’s ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on all general obligation indebtedness of the Board, including the Bonds, as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as and when the same become due and payable, the principal of and interest on all outstanding general obligation bonds, including the Bonds, and other outstanding general obligation indebtedness of the Board. Under Section 159 of the Kentucky Constitution, the District, through the Board, is required to collect an annual tax sufficient to pay the interest on all authorized indebtedness and to establish and maintain a sinking fund for the payment of the principal amount thereof. The Bond Resolution provides for the levy of such annual tax, which shall be collected to the extent other lawfully available moneys of the Board are not provided or available. The Bond Resolution also creates and provides for the maintenance of a Sinking Fund, into which the proceeds of such annual tax or other lawfully available moneys of the Board are to be deposited for the payment of the principal of and interest on the Bonds and all other general obligation indebtedness of the Board, and the amounts on deposit in the Sinking Fund shall not be used for any other purpose.

Statutory Lien

Section 66.400 of the Kentucky Revised Statutes, as amended (the “Municipal Bankruptcy Law”), permits any political subdivision, public agency, or instrumentality of the Commonwealth, such as the District, for the purpose of enabling such political subdivision, public agency, or instrumentality to take advantage of the provisions of Chapter 9 of the United States Bankruptcy Code and, for that purpose only, (i) to file a petition stating that such political subdivision, public agency, or instrumentality (a) is insolvent or unable to meet its debts as they mature, and (b) desires to effectuate a plan for the composition or readjustment of its debts, and (ii) to take any further proceedings as are set forth in the United States Bankruptcy Code, as they relate to such political subdivision, public agency, or instrumentality. Under the Municipal Bankruptcy Law, the District does not need the approval or permission of the Kentucky Department for Local Government’s State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process. In addition, under the Municipal Bankruptcy Law, the District may be authorized to initiate Chapter 9 bankruptcy proceedings without any prior notice to or consent of its creditors, which bankruptcy proceedings may result in a material and adverse modification or alteration of the rights of the District’s secured and unsecured creditors, including the holders of its bonds and notes. See “INVESTMENT CONSIDERATION – Risk of Bankruptcy” herein.

The Municipal Bankruptcy Law provides that (a) a statutory lien exists on any tax revenues pledged for the benefit of general obligation debt; (b) such tax revenues are pledged for the repayment of the principal of and premium (if any) and interest on all outstanding general obligation indebtedness, regardless of whether such pledge is contained in the documents or proceedings authorizing such indebtedness; and (c) such pledge constitutes a first lien on such tax revenues. In addition, the Municipal Bankruptcy Law also creates a statutory lien on annual appropriations for the payment of any obligations subject to annual renewal, including, without limitation, any leases entered into under Chapter 58 and Chapter 65 of the Kentucky Revised Statutes.

The validity and priority of the statutory lien imposed by the Municipal Bankruptcy Law have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

State Intercept

The Board has agreed that so long as the Bonds are outstanding, and in conformance with the intent and purpose of Section 157.627(5) and Section 160.160(5) of the Kentucky Revised Statutes, in the event of any failure by the Board to pay debt service on the Bonds, and unless sufficient funds have been or will be transmitted to the Paying Agent and Registrar for the payment of such debt service when due, the Board will (i) notify and request the Kentucky Department of Education to withhold from the District a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board, and (ii) request either the Kentucky Department of Education or the Commissioner of Education thereof to transfer the required amount of such withheld funds to the Paying Agent and Registrar for the payment of such debt service.

State Participation

The Kentucky School Facilities Construction Commission (the “Commission”) is an independent corporate agency and instrumentality of the Commonwealth established and existing under the provisions of Sections 157.611 to 157.640, inclusive, of the Kentucky Revised Statutes, as repealed, amended, and reenacted (the “Act”) for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

In accordance with the provisions of the Act and the Regulations of the Kentucky Board of Education and the Commission, the Commission has determined that it will not participate in the payment of debt service on the Bonds.

PLAN OF FINANCING

The Bonds are being issued for the purposes of (i) financing bus garage renovations and a high school multi-purpose building (collectively, the "Project"), and (ii) paying the costs of issuance of the Bonds, including rating fees, the fees of the Municipal Advisor, the Paying Agent and Registrar, and Bond Counsel, and all other appropriate expenses as may be approved by the Board.

ESTIMATED SOURCES AND USES OF FUNDS

Sources:

Bond Proceeds	\$ _____
[Plus Original Issue Premium] [Less Original Issue Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter's Discount	\$ _____
Deposit to Construction Fund	_____
Cost of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider regarding risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all of the risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze all of the information contained in this Official Statement, including the Appendices hereto, and any additional information in the form of the complete documents summarized herein, copies of which are available as described herein.

Limitation on Enforcement of Remedies

The enforcement of the remedies applicable to the Bonds under the Bond Resolution may be limited or restricted by laws relating to bankruptcy and insolvency and by the rights of creditors under the application of general principles of equity, and may be substantially delayed or subject to judicial discretion in the event of litigation or the use of statutory remedial procedures. All legal opinions concerning the enforceability of the Bonds delivered in connection with the Bonds contain an exception with respect to the limitations that may be imposed by bankruptcy and insolvency laws and by the rights of creditors under general principles of equity.

Risk of Bankruptcy

The obligations of the Board under the Bonds and the Bond Resolution are general obligations of the Board and are secured by the pledge of the Board's full faith, credit, and taxing power, any moneys held in the Board's Sinking Fund (on a parity with all other general obligation indebtedness of the Board) or the Bond Payment Fund established under the Bond Resolution, and the statutory lien provided by the Municipal Bankruptcy Law. A bondholder's enforcement of any remedies provided under the Bond Resolution may be limited or delayed in the event of the application of any federal bankruptcy laws or any other laws affecting creditors' rights generally, and may be substantially delayed and subject to judicial discretion in the event of any litigation or any required use of statutory remedial procedures. The validity and priority of the statutory lien provided under the Municipal Bankruptcy Law have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

In accordance with the Municipal Bankruptcy Law, the District, through the Board, is permitted to file a petition for relief under Chapter 9 of Title 11 of the United States Code (the “Bankruptcy Code”) without the prior approval of any official or department of state government, including the Kentucky Department for Local Government’s State Local Debt Officer. If the District were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceedings against the District and any interest in (a) any moneys contained in the Sinking Fund or the Bond Payment Fund, (b) the District’s general fund revenues, or (c) the District’s taxing power. However, any such petition does not stay the application of pledged special revenues, as defined by the Bankruptcy Code.

During its bankruptcy proceedings, the District could use its property, including its tax receipts and the proceeds thereof, but excluding any pledged special revenues, for the benefit of its bankruptcy estate, despite the claims of its creditors. Notwithstanding the foregoing, it is possible that the District could use its pledged special revenues to pay certain operating expenses, even after filing its bankruptcy petition.

In a Chapter 9 proceeding under the Bankruptcy Code, only the District, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan of adjustment is the vehicle for satisfying, and provides for the comprehensive treatment of, all of the claims against the District, and could result in the modification of the rights of any class of creditors, whether secured or unsecured, which modification of rights could be contrary to state law. For a plan to be confirmed, except for one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class of impaired creditors approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of the plan. If fewer than all impaired classes vote to accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby, regardless of whether or how they voted. For this “cramdown” to occur, at least one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly” and is “fair and equitable” with respect to the non-consenting classes. In addition, for a plan of adjustment to be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed in good faith and is in the best interest of creditors, such that the plan of adjustment represents a reasonable effort by the District to satisfy its debts and is a better alternative than dismissal of the bankruptcy case. Unlike in a Chapter 11 proceeding, in a Chapter 9 proceeding, this standard does not include the use of a liquidation analysis.

Generally, the District would likely receive a discharge of its debts after (i) the plan of adjustment is confirmed; (ii) the District deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court; and (iii) the bankruptcy court determines that the securities so deposited with the disbursing agent will constitute valid and legal obligations of the District and that any provision made to pay, or to secure the payment of, such obligations is valid.

See the additional discussion regarding the statutory pledge of tax revenues provided for the Bonds under the heading “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Statutory Lien” herein. Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the Board on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds are intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

The Board may, from time to time, issue additional general obligation bonds or notes. The issuance of additional general obligation bonds or notes would increase the Board's overall debt service requirements and could adversely affect the debt service coverage on the Bonds.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in general tax revenues or decrease in investment portfolio values, resulting in increased funding requirements, which could negatively impact the results of operations and overall financial condition of the District.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell any of the Bonds they purchase should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time in the future, the effect of which could adversely affect the market price for the Bonds and the marketability of the Bonds. For more information, see "RATING" herein.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before purchasing any Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the "Code"), upon their acquisition, holding, or disposition of the Bonds.

THE DISTRICT

General

The District is a school district and political subdivision of the Commonwealth existing under and by virtue of Chapter 160 of the Kentucky Revised Statutes. In accordance with Section 160.160 of the Kentucky Revised Statutes, the District is under the management and control of the Board, consisting of five members, elected to a four-year term on a non-partisan ballot. Each year, the Board elects a Chair and a Vice Chair from its members to serve a one year term. The Superintendent of the District serves as the executive agent of the Board and has the authority and responsibility to implement Board policy.

The Board has general control and management of all public schools within the District, including the control and management of all public school funds and school property, and may use such funds and property to promote public education within the District. The Board has the power, among others, to levy tax rates in compliance with statutory and regulatory requirements and to issue bonds to build and construct improvements to the public schools and related facilities within the District.

Kentucky Department of Education Supervision

No later than September 30 of each year, the District is required to submit to the Kentucky Department of Education (the "KDE") a tentative and working budget, on forms prescribed and furnished by the KDE, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the District during the succeeding fiscal year, as well as the estimated amount that will be received from all other sources. The working budget shall be disapproved by the KDE if (i) it is financially unsound,

(ii) it fails to provide for (a) the payment of maturing principal and interest on any outstanding voted school improvement bonds, or (b) the payment of rentals in connection with any outstanding school building revenue bonds, or (iii) it fails to comply with any applicable law.

Each year, upon the receipt of local property assessments from the Kentucky Department of Revenue, the KDE certifies to the District (i) the general tax rate that the District could levy under Section 160.470(1) of the Kentucky Revised Statutes and the amount of revenue expected to be produced, (ii) the compensating tax rate, as defined in Section 132.010 of the Kentucky Revised Statutes, for the District's general tax rate and the amount of revenue expected to be produced, and (c) the general tax rate which will produce, respectively, no more revenue from real property, exclusive of any revenue from new property, than 4% over the amount of revenue produced by the compensating tax rate described in (ii) above, and the amount of revenue expected to be produced. Within thirty days after the District has received its tax assessment data, the rates levied by the District shall be forwarded to the KDE for its approval or disapproval.

KDE supervision also extends to other areas of local school finance, including supervision of general operations, such as the examination of business methods and accounts of the District and requirements for the submission to the KDE of prompt, detailed reports of all receipts and expenditures. The KDE also requires all local school districts, including the District, who have entered into contracts for the issuance of bonds to arrange for insurance protection in an amount equal to the full insurable value of the buildings and for the continuous retention of such insurance. KDE's supervision and control over local school districts in the Commonwealth is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in the payment of its revenue bonds for school purposes.

Revenue Sources within the District

General Property and Motor Vehicle Tax

The Board levies a tax on real estate, personal property, and motor vehicles at a specific rate per \$100.00 of assessed valuation. See "Appendix B – Tax Base, Operating, and Demographic Data" hereto for the rates assessed over the previous five-year period.

SEEK Program

The SEEK Program allocates biennial appropriations from the Kentucky General Assembly to each school district in Kentucky. The base level of funding is determined for each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance in the preceding fiscal year. Each district's share of SEEK funding is subject to adjustment in order to reflect various factors.

See "Appendix B – Tax Base, Operating, and Demographic Data" hereto for a recent history of the SEEK Program appropriations to the District.

Capital Outlay Allotment

The SEEK Program also provides for an annual payment to all Kentucky school districts for capital construction or acquisition (the "Capital Outlay Allotment"). Funds from the Capital Outlay Allotment are not directly pledged for debt service but, as a practical matter, and to the extent needed, have been and will continue to be applied to debt service through rental payments on lease agreements and general obligation bond payments.

The Commonwealth has established a formula to calculate Capital Outlay Allotments, which results in the allocation of funds to a district for capital expenditures at a rate of \$100.00 per average daily pupils in attendance. Capital Outlay Allotments are required to be segregated into the Capital Outlay Allotment Fund and may be used only for (i) the direct payment of construction costs; (ii) the payment of debt service on voted and funding bonds; (iii) the payment of lease rental payments or general obligation bond payments in support

of bond issues; (iv) the reduction of any deficits resulting from over-expenditures for any emergency capital construction; and (v) the establishment of a reserve for each of the categories enumerated in (i) through (iv).

The Capital Outlay Allotment received by the District for the most recent five-year period is set forth in “Appendix B – Tax Base, Operating, and Demographic Data” hereto.

FSPK Program

The FSPK Program provides funds for districts to support debt service and capital expenditures. The amount of FSPK funds a particular district receives is based on a funding formula that takes into consideration such district’s average daily attendance and the amount of local revenue generated on such district’s tax base relative to a state-wide average assessment.

See “Appendix B – Tax Base, Operating, and Demographic Data” hereto for a recent history of the FSPK Program appropriations to the District.

Tax Base Information

Homestead Exemption

Section 170 of the Kentucky Constitution was amended by Kentucky voters at the General Election held on November 2, 1971, to exempt from property taxes the first \$6,500 of single-unit residential property of taxpayers 65 years of age or older. After that election, the 1972 Regular Session of the Kentucky General Assembly enacted Section 132.810 of the Kentucky Revised Statutes in order to establish the qualifications for the homestead exemption and to provide for the application thereof. In later legislative sessions, the Kentucky General Assembly amended Section 132.810 of the Kentucky Revised Statutes, (i) to enlarge the “single-unit” qualification to allow the homestead exemption to apply to real property “held by legal or equitable title, by the entireties, jointly, in common, as a condominium” maintained as the permanent residence of the owner, (ii) to construe the \$6,500 exemption to mean \$6,500 in terms of the purchasing power of the dollar in 1972, (iii) to allow the maximum exemption to be adjusted every two years if the cost of living index of the United States Department of Labor has changed as much as 1% over the preceding two-year period, and (iv) to permit counties and school districts to adjust their local tax revenues through increases in the tax rates on non-exempt property in order to generate tax revenues in an amount equivalent to the revenues lost through the application of the homestead exemption. The amount of the individual homestead exemption for the current tax period is \$49,100.

Limitation on Taxation

The 1990 Regular Session of the Kentucky General Assembly, in enacting the comprehensive KERA legislative package, (i) amended the provisions of Section 160.470 of the Kentucky Revised Statutes, which prohibited school districts from levying ad valorem property taxes that would generate revenues in excess of 4% of the previous year’s revenues without such levy being subject to recall, and (ii) amended Section 157.440 of the Kentucky Revised Statutes, for the purpose of creating an exception to the referendum and public hearing requirements imposed by Section 160.470 of the Kentucky Revised Statutes for certain taxes levied by school districts.

Under Section 160.470(9) of the Kentucky Revised Statutes, for fiscal years beginning July 1, 1990, school districts are permitted to levy a “minimum equivalent tax rate” of \$0.30 for general school purposes. The “equivalent tax rate” is defined as the rate that results when the income collected during the prior year from all taxes (including occupational and utility taxes) levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Kentucky Department of Revenue. Failure to levy the minimum equivalent rate subjects the board of the district to removal. Levies

permitted by Section 160.470(9) of the Kentucky Revised Statutes are not subject to the public hearing or recall provisions set forth in Section 160.470(7) and (8) of the Kentucky Revised Statutes.

Under Section 157.440(1) of the Kentucky Revised Statutes for fiscal years beginning July 1, 1990, school districts are permitted to levy an “equivalent tax rate,” as defined in Section 160.470(9) of the Kentucky Revised Statutes, which will produce up to 15% of those revenues guaranteed by the SEEK Program. Levies permitted by Section 157.440(1) of the Kentucky Revised Statutes are not subject to the public hearing or recall provisions as set forth in Section 160.470(7) and (8) of the Kentucky Revised Statutes.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years.

Appendix D to this Official Statement contains a Statement of Indebtedness for the District, certified by the Treasurer of the Board, which sets forth the property tax rates currently levied by the District and certifies that the issuance of the Bonds will not cause such tax rates to increase to an amount in excess of the above-described maximum permissible rates.

Investment Policy

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations relating to investments by the state’s political subdivisions, including the District. In accordance with the provisions thereof, the District must adopt an investment policy and may only invest its funds, with the approval of the Kentucky Board of Education, in the classifications of obligations which are eligible for investment, which includes:

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of such obligations is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for the future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - 1. United States Treasury obligations;
 - 2. United States Export-Import Bank notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. the Federal National Mortgage Association; and
 - 8. the Tennessee Valley Authority;

- (d) Certificates of deposit or other interest-bearing accounts issued through any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or a similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
- (e) Uncollateralized certificates of deposit issued by a bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five years; and
 3. All of the securities in the mutual fund shall be eligible investments hereunder;
- (k) Individual equity securities, if the funds being invested will be managed by a professional investment manager that is regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed 25% of the equity allocation; and
- (l) Individual high-quality corporate bonds managed by a professional investment manager and that:
 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 2. Have a standard maturity of no more than ten years; and
 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The District's current investment policy matches the investments permitted by Section 66.480 of the Kentucky Revised Statutes.

The District values legality, safety, liquidity, and yield, in that order.

Debt Limitation

Section 158 of the Kentucky Constitution provides that taxing districts, including the District, by and through the Board, shall not incur indebtedness to an amount exceeding 2% of the value of the taxable property therein, as estimated by the last assessment previous to the incurring of the indebtedness; provided, however, that Section 158 of the Kentucky Constitution also provides that nothing shall prevent the issue of

any renewal bonds or bonds to fund the floating indebtedness of any city, county, or taxing district. In addition, Section 158 of the Kentucky Constitution also grants the Kentucky General Assembly the power, subject to the limits and conditions set forth in Section 158 and elsewhere in the Kentucky Constitution, to establish additional limits on indebtedness and the conditions under which debt may be incurred by cities, counties, and taxing districts.

Section 66.041 of the Kentucky Revised Statutes provides the same limitations on indebtedness as are set forth in Section 158 of the Kentucky Constitution, and further states that the debt limitations apply to “net indebtedness.” In calculating “net indebtedness,” Section 66.031 of the Kentucky Revised Statutes provides that certain obligations of a city, county, or taxing district are not to be considered as “indebtedness,” including any notes issued in anticipation of bonds, self-supporting obligations, revenue bonds, special assessment debt, and other infrequently-issued types of obligations. For a complete list of all of the Board’s debt exempt from the calculation of “net indebtedness,” see the Statement of Indebtedness attached hereto as Appendix D.

Appendix D to this Official Statement contains a Statement of Indebtedness for the Board, certified by the Treasurer of the Board, that calculates the amount of the outstanding obligations of the District (including the Bonds) that are subject to the 2% total direct debt limit. The total principal amount of general obligation debt that could be issued by the Board, subject to the 2% debt limitation, is \$8,065,700, and the Board’s net debt subject to such limit presently outstanding (including the Bonds) is \$4,035,000*, leaving a balance of approximately \$4,030,700* borrowing capacity issuable within such limitation.

However, as described under the heading “THE DISTRICT – Tax Base Information – Limitation on Taxation” herein, the Board’s ability to incur debt in these amounts is also restricted by tax limitations. In the case of general obligation debt, both the debt limitation and tax limitation must be met.

Bond Anticipation Notes

As provided by Section 56.513 and Section 58.150 of the Kentucky Revised Statutes, school districts are authorized to issue notes from time to time, including renewal notes, in anticipation of the issuance of any bonds, upon the same terms and conditions as bonds, except bond anticipation notes may be sold by private, negotiated sale in any manner determined or authorized by the board of education of the district. The ability of a school district to retire its bond anticipation notes from the proceeds of the sale of either bonds or renewal notes will ultimately depend upon the marketability of such bonds or renewal notes under the market conditions prevailing at the time of such sale.

LEGAL MATTERS

General

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Steptoe & Johnson PLLC, as Bond Counsel for the Bonds. Upon delivery to the successful bidder therefor, the Bonds will be accompanied by an approving legal opinion dated the date of such delivery, rendered by Steptoe & Johnson PLLC. A draft of the approving legal opinion for the Bonds is set forth in “Appendix E – Form of Approving Legal Opinion of Bond Counsel” hereto.

As Bond Counsel, Steptoe & Johnson PLLC has performed certain functions to assist the Board in the preparation of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the District or the Bonds that may be made available by the District or others to the bidders, the holders of the Bonds, or any other persons.

* Preliminary, subject to adjustment.

The engagement of the firm as Bond Counsel for the Bonds is limited to (i) the preparation of certain documents contained in the transcript of proceedings for the Bonds, and (ii) an examination of such transcript of proceedings incident to rendering its approving legal opinion for the Bonds. In its capacity as Bond Counsel, the firm has reviewed the information set forth in this Official Statement under the Sections entitled “THE BONDS – Authority for Issuance,” “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS,” “THE DISTRICT – Tax Base Information – Limitation on Taxation,” “THE DISTRICT – Debt Limitation,” “LEGAL MATTERS – General,” and “LEGAL MATTERS – Tax Treatment,” which review did not include independent verification of the financial statements and the statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a no litigation certification and other appropriate closing documents, will be delivered by the Board when the Bonds are delivered to the original purchaser thereof. At the time of delivery, the Board will also provide the original purchaser of the Bonds with a certification, executed by the Chair or the Treasurer of the Board or the Finance Director of the District, and addressed to such purchaser, relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the Board, no litigation, administrative action, or other proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with the proceeds of the Bonds. A no litigation certification to that effect will be delivered to the original purchaser of the Bonds at the time of the delivery of the Bonds.

Tax Treatment

General

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings, and court decisions in effect as of the date hereof, interest on the Bonds will be excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “LEGAL MATTERS – Tax Treatment – Corporate Alternative Minimum Tax” herein). In addition, Bond Counsel is also of the opinion that interest on the Bonds will be exempt from Kentucky income taxation and that the Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel to be delivered concurrently with the issuance of the Bonds is set forth in “Appendix E – Form of Approving Legal Opinion of Bond Counsel” hereto.

The Code imposes various restrictions, conditions, and requirements with respect to the exclusion of interest on certain obligations, including the Bonds, from gross income for federal income tax purposes. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will be excludable from gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The approving legal opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or any events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other documents related thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Bonds or such other documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Steptoe & Johnson PLLC.

Although Bond Counsel is of the opinion that the interest on the Bonds will be excludable from gross income for federal income tax purposes and that interest on the Bonds will be excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of the purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers under Section 265 of the Code. Finally, the residence of a bondholder in a state other than Kentucky or a bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such bondholder by such states or their political subdivisions based on the interest or other income from the Bonds.

The Board has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of the bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof) are initially being offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond, the interest on which is excludable from gross income for federal income tax purposes (each, a "tax-exempt bond"), must be amortized and will reduce the bondholder's adjusted basis in the bond. However, no amount of amortized Acquisition Premium on any tax-exempt bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The Acquisition Premium paid on any Premium Bonds or any other Bonds that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in the bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable on such Bonds (the “Discount Bonds”) at maturity. OID is an amount equal to the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for the Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any of the Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a new corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of an “applicable corporation,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for all tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on tax-exempt bonds, such as the interest on the Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purposes of determining whether a corporation qualifies as an “applicable corporation,” and (ii) in determining an applicable corporation’s “adjusted financial statement income” for the purposes of calculating the alternative minimum tax imposed on applicable corporations under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), the District will execute and deliver a Continuing Disclosure Certificate to be dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”), the form of which is set forth in “Appendix F – Form of Continuing Disclosure Certificate” hereto, for the benefit of all parties who may become registered owners or beneficial owners of the Bonds from time to time. Under the Continuing Disclosure Certificate, so long as the Bonds remain outstanding, the Board will agree to comply with the provisions of the Rule by causing the following the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the SEC, for each fiscal year of the District, certain annual financial information and operating data of the District (the “Annual Financial Information”), including the audited financial statements of the District, generally consistent with (i) the financial information and operating data of the District set forth under the following headings of Appendix B to the Offering Document: “Outstanding Bonds”, “Bond Debt Service”, “District Student Population”, “Local Support – Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment”, and (ii) the audited financial statements of the District set forth in “Appendix C – Audited Financial Statements of the District for the Fiscal Year Ended June 30, 2024” hereto. The Annual Financial Information shall be provided annually, no later than 9 months after the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2025, provided, however, that audited financial statements may not be available by such date, but shall be made available immediately upon delivery thereof by the auditors for the District; and
- (ii) to the MSRB, through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or other similar event of the District (Note: This event is considered to occur upon the occurrence of any of the following: The appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or under any other state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession of such assets or business, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

- (m) The consummation of any merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than in accordance with its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a Financial Obligation of the District, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect its security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any Financial Obligation of the District, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the District has knowledge) of the District to provide the required Annual Financial Information on or before the date specified in the Continuing Disclosure Certificate.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the Board or related public entities, which are available to the public on the MSRB’s Internet website or filed with the SEC.

The Continuing Disclosure Certificate provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of failure by the Board to comply with the terms thereof; however, a default under the Continuing Disclosure Certificate does not constitute an event of default under the Bond Resolution. The Continuing Disclosure Certificate may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no liquidity providers applicable to the Bonds; and
- (c) there is no property securing the repayment of the Bonds.

As of the date of this Official Statement, the Board is in compliance with the reporting requirements of the Rule for the past five years for which it is an “obligated person,” as defined in the Rule. The Board intends to file all future Annual Financial Information within the time requirements specified in the Rule, the Continuing Disclosure Certificate, and the Board’s existing continuing disclosure undertakings relating to other outstanding debt issues, and the Board has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

Financial information regarding the District may be obtained from the Superintendent of the District at 109 Gardner Trail, Salyersville, Kentucky 41465, Telephone: (606) 349 6117.

RATING

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc. ("Moody's") has assigned an enhanced rating of "[]" to the Bonds. Such rating reflects only the view of Moody's. Any explanation of the significance of such rating may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. The District furnished Moody's with certain information and materials about the Bonds and themselves. Generally, rating agencies base their ratings upon such information and materials received from issuers and upon investigations, studies, and assumptions by the rating agencies.

There can be no assurance that a rating, when assigned, will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody's if, in its judgment, the circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

The Board presently expects to furnish Moody's with any information and materials that Moody's may request on future general obligation bond issues. However, the Board assumes no obligation to furnish any requested information and materials and may issue debt for which a rating is not requested. The failure to furnish any requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of Moody's ratings on the Board's outstanding general obligation bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by [] (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[] (reflecting the par amount of the Bonds, [plus/less] net original issue [premium/discount] of \$[], and less underwriter's discount of \$[].) The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter, and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page hereof.

MUNICIPAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky, has acted as Municipal Advisor (the "Municipal Advisor") to the District in connection with the issuance and sale of the Bonds and will receive a fee, payable from the proceeds of the Bonds, for its services rendered as the Municipal Advisor to the District, contingent upon the issuance and sale of the Bonds. The Municipal Advisor has compiled certain data relating to the Bonds contained herein. The Municipal Advisor is not obligated (i) to undertake, and has not undertaken, to make an independent verification of, or (ii) to assume responsibility for the accuracy, completeness, or fairness of the information contained herein. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

MISCELLANEOUS

To the extent any statements contained herein involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. The information contained in this Official Statement has been derived by the Board from official records and other sources and is believed by the Board to be reliable, but such information, other than any information obtained from the official records

of the District, has not been independently confirmed or verified by the Board, and the accuracy of any such information is not guaranteed. Neither this Official Statement nor any statement which may have been made, either orally or in writing, by or on behalf of the Board is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered in the name and on behalf of the Board by the Chair of the Board.

**BOARD OF EDUCATION OF
MAGOFFIN COUNTY, KENTUCKY**

By: /s/ Rodney Ward
Chair

APPENDIX A

**BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025**

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

ESTMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS

Fiscal Year Ending June 30	Current Restricted Fund Bond Payments	General Obligation Bonds, Series 2025 (100% Local)			Total Restricted Fund Bond Payments
		Principal Portion	Interest Portion	Total Payment	
2025	\$1,459,888				\$1,459,888
2026	\$1,462,311		\$93,101	\$93,101	\$1,555,413
2027	\$1,465,373	\$10,000	\$183,986	\$193,986	\$1,659,359
2028	\$1,470,463	\$10,000	\$183,646	\$193,646	\$1,664,109
2029	\$1,472,575	\$10,000	\$183,304	\$193,304	\$1,665,879
2030	\$1,111,708	\$70,000	\$181,871	\$251,871	\$1,363,579
2031	\$1,110,601	\$70,000	\$179,334	\$249,334	\$1,359,935
2032	\$1,111,655	\$70,000	\$176,796	\$246,796	\$1,358,451
2033	\$1,109,689	\$70,000	\$174,189	\$244,189	\$1,353,878
2034	\$1,113,740	\$75,000	\$171,349	\$246,349	\$1,360,089
2035	\$1,114,932	\$75,000	\$168,319	\$243,319	\$1,358,251
2036		\$255,000	\$161,426	\$416,426	\$416,426
2037		\$265,000	\$150,374	\$415,374	\$415,374
2038		\$280,000	\$138,516	\$418,516	\$418,516
2039		\$290,000	\$125,831	\$415,831	\$415,831
2040		\$305,000	\$112,291	\$417,291	\$417,291
2041		\$320,000	\$97,788	\$417,788	\$417,788
2042		\$340,000	\$82,225	\$422,225	\$422,225
2043		\$350,000	\$65,750	\$415,750	\$415,750
2044		\$370,000	\$48,378	\$418,378	\$418,378
2045		\$390,000	\$29,850	\$419,850	\$419,850
2046		\$410,000	\$10,148	\$420,148	\$420,148
TOTALS:	\$14,002,937	\$4,035,000	\$2,718,468	\$6,753,468	\$20,756,405

APPENDIX B
BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025

TAX BASE, OPERATING, AND DEMOGRAPHIC DATA OF THE DISTRICT

MAGOFFIN COUNTY, KENTUCKY

TAX BASE, OPERATING, AND DEMOGRAPHIC DATA

Salyersville, Kentucky, the county seat of Magoffin County, is located in Eastern Kentucky, 75 miles east of Louisville, and 100 miles east of Lexington. Salyersville had a population of 1,561 in 2024. Magoffin County's 2024 population was 11,288.

The Economic Framework

In 2024, Magoffin County had a labor force of 3,614 people with an unemployment rate of 11.00%. The top five jobs by occupation were as follows: (1) education, training/library – 198 (13.62%), (2) office and administrative support – 163 (11.21%), (3) executive managers and administrators – 132 (9.08%), (4) sales – 121 (8.32%), and (5) transportation workers – 110 (7.57%).

Power and Fuel

Electric power is provided to Magoffin County by AEP/Kentucky Power Company, East Kentucky Power Cooperative. Natural gas service is available in Magoffin County through Public Gas Company, Inc. and Salyersville Gas.

TAX BASE INFORMATION

Assessed Value of Property

Fiscal Year	Total
2021	\$358,732,609
2022	\$372,744,636
2023	\$384,333,819
2024	\$407,161,106
2025	\$403,285,062

Source: Kentucky Department of Education – SEEK Calculation

Historical Tax Rates

Fiscal Year	Real Estate	Tangible	Motor Vehicle
2021	61.100	62.000	57.600
2022	59.100	62.000	57.600
2023	59.900	62.000	57.600
2024	59.500	59.500	57.600
2025	60.200	60.200	57.600

Source: Kentucky Department of Education – SEEK Taxes

Top Ten Taxpayers of the District

The following tables lists the ten largest real property taxpayers of the County as reported by the Magoffin County Property Valuation Administrator for the calendar year 2024.

Taxpayer	Real Property Assessment (\$)
571 Parkway Drive Realty LLC	150,283
Stillwater Development LLC	45,138
Rocklick LLC	36,722
Spirit Realty LP	36,722
Solid Rock Investment LLC	29,837
Cooper Jay & Linda Family Trust	28,674
Salyersville Property LLC	18,361
M&M Acquisition LLC	18,269
Ryan, LLC	17,596
Logan Corporation	16,831

OPERATING AND FINANCIAL DATA

Outstanding Bonds

Bond Series	Original Principal	Current Principal Outstanding	Principal Assigned to Board	Principal Assigned to Commission	Approximate Interest Rate Range	Final Maturity
2014	\$16,000,000	\$10,335,000	\$9,612,641	\$6,387,359	3.000% - 3.625%	2034
2014-KSBIT	\$756,858	\$298,938	\$756,858	\$0	4.000%	2029
2015-REF	\$8,185,000	\$3,050,000	\$3,336,775	\$4,848,225	2.500%	2026
2015	\$1,650,000	\$1,090,000	\$1,650,000	\$0	3.000% - 3.500%	2035
2019-REF	\$5,005,000	\$3,035,000	\$1,756,078	\$3,248,922	2.000% - 3.000%	2029
2023	\$370,000	\$360,000	\$0	\$370,000	4.000% - 4.500%	2043
TOTALS:	\$31,966,858	\$18,168,938	\$17,112,352	\$14,854,506		

Overlapping Indebtedness

	Original Principal Amount	Amount of Bonds Redeemed	Current Principal Outstanding
Issuer			
County of Magoffin			
General Obligation	100,000	31,431	68,569
Public Project Public Corp.	140,000	131,500	8,500
Special Districts			
Magoffin County Extension District	1,200,000	484,734	715,266
Magoffin County Library District	4,050,000	700,000	3,350,000
Magoffin County Public Health District	783,500	243,100	540,400
Magoffin County Water District	2,804,000	1,588,700	1,215,300
Totals:	9,077,500	3,179,465	5,898,035

Source: Kentucky Department of Local Government

Attendance

School Year	Average Daily Attendance
2020-21	1,714
2021-22	1,792
2022-23	1,792
2023-24	1,743
2024-25	1,646

Source: Kentucky Department of Education

SEEK Funds

Description	Fiscal Year				
	2021	2022	2023	2024	2025
SEEK Funds	\$7,880,678	\$8,668,820	\$8,933,010	\$8,786,049	\$8,798,302
FSPK Funds	\$605,803	\$634,260	\$718,054	\$681,890	\$795,187
Capital Outlay Allotments	\$171,434	\$179,177	\$179,177	\$174,305	\$164,629

Source: Kentucky Department of Education

DEMOGRAPHIC DATA

Population Growth (in thousands)

Description	2021	2022	2023	2024
Salyersville	1,644	1,649	1,096	1,561
Magoffin County	11,379	11,731	11,419	11,288

Source: Kentucky State Data Center, University of Louisville

Population Projections

Description	2030	2035	2040
Magoffin County	10,255	9,525	8,768

Source: Kentucky State Data Center, University of Louisville

Unemployment Rate (%)

Year	Magoffin County	Kentucky	United States
2020	13.0	6.5	8.1
2021	9.5	4.5	5.3
2022	8.8	4.0	3.6
2023	8.1	4.3	3.6
2024	9.1	5.1	4.0

Source: Kentucky Center for Statistics

Businesses and Jobs

Magoffin County has a total of 208 businesses. In 2024, the leading industries in Magoffin County were Education, Health Care and Social Services, Retail, and Accommodation and Food Services.

<u>Top Industries By Job</u>	<u>Number of Jobs</u>
Education	308
Health Care and Social Services	254
Retail	179
Accommodation and Food Services	131

Source: Kentucky Center for Statistics

APPENDIX C

**BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025**

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

MAGOFFIN COUNTY
SCHOOL DISTRICT

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

**MAGOFFIN COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Magoffin County School District
Salyersville, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Magoffin County School District (the District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Magoffin County School District as of June 30, 2024, and respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Handwritten signature of BHM CPA Group in black ink.

BHM CPA Group, Inc.
Portsmouth, Ohio
January 31, 2025

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

As management of the Magoffin County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning balance for the General Fund was \$6.59 million, the ending fund balance was \$7.59 million.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- The District continues to have strong financial position.
- The General Fund had \$19.32 million in revenue, including on behalf payments made by the state, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. There were \$18.67 million in General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private sector businesses.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found in the table of contents of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The two proprietary funds food service operations and the wellness center. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found in the table of contents of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Magoffin County Schools, assets exceeded liabilities by \$32,102,760 for Governmental Activities. Liabilities exceed assets by \$57,043 for Business Type Activities as of June 30, 2023. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

The 2024 government-wide net position compared to 2023 is as follows:

Table 1
Net position:
\$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Current assets	\$ 11.61	\$ 11.85	\$ 0.28	\$ 0.21	\$ 11.89	\$ 12.06
Non-current assets	59.05	64.58	0.17	0.16	59.22	64.74
Total assets	70.66	76.43	0.45	0.37	71.11	76.80
Deferred outflows	5.36	4.64	0.16	0.15	5.52	4.79
Current liabilities	3.63	3.58	0.01	0.10	3.64	3.68
Non-current liabilities	35.61	29.09	0.52	0.38	36.13	29.47
total liabilities	39.24	32.67	0.53	0.48	39.77	33.15
Deferred inflows	4.68	6.99	0.14	0.24	4.82	7.23
Net position:						
Invested in capital assets, net of debt	35.45	35.45	0.17	0.15	35.62	35.60
Restricted	3.59	3.59	-	-	3.59	3.59
Unrestricted (deficit)	(6.94)	2.37	(0.22)	(0.35)	(7.16)	2.02
Total net position	32.10	41.41	(0.05)	(0.20)	32.05	41.21

GOVERNMENTAL ACTIVITIES

Ending net position was \$41.41 million for the District. This was an increase of \$9.31 from last year.

See schedule next page

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2023	2024	2023	2024	2023	2024	2023-2024
Revenues:							
Charges for services	\$ 0.52	\$ 0.61	\$ 0.04	\$ 0.05	\$ 0.63	\$ 0.66	0.05
Operating grants and contributions	14.47	14.47	1.68	1.64	16.15	16.11	(0.00)
Capital grants and contributions	3.38	3.38	-	-	3.38	3.38	-
General revenues	14.53	16.66	-	0.02	14.53	16.68	0.15
Total Revenue	32.90	35.12	1.72	1.71	34.69	36.83	0.06
Expenses:							
Instruction	14.53	14.19	-	-	14.53	14.19	(0.02)
Student	1.40	1.36	-	-	1.40	1.36	(0.03)
Instructional staff	1.23	1.20	-	-	1.23	1.20	(0.02)
District administration	0.84	0.88	-	-	0.84	0.88	0.05
School administration	1.53	1.19	-	-	1.53	1.19	(0.22)
Business	0.50	0.47	-	-	0.50	0.47	(0.06)
Plant operation & maintenance	2.69	1.87	-	-	2.69	1.87	(0.30)
Student transportation	2.56	1.85	-	-	2.56	1.85	(0.28)
Community services operations	0.45	0.35	-	-	0.45	0.35	(0.22)
Land improvements	0.03	-	-	-	0.03	-	(1.00)
Food service Operations	-	-	2.01	1.85	2.01	1.85	(0.08)
Depreciation/Amortization	1.67	1.72	0.02	0.01	1.69	1.73	0.02
Interest on long-term debt	0.82	0.75	-	-	0.82	0.75	(0.09)
Total Expenses	\$ 28.25	\$ 25.83	\$ 2.03	\$ 1.86	30.28	27.69	(0.09)
Change in net position	\$ 4.65	\$ 9.29	\$ (0.31)	\$ (0.15)	\$ 4.41	\$ 9.14	

CAPITAL ASSETS

At the end of fiscal year 2024, the District had \$64.42 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions, deductions construction in progress) of \$5.37 million from 2023.

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

**Capital Assets at Year-End
\$ (Net Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2023	2024	2023	2024	2023	2024
Land	\$ 6,265,450	\$ 6,265,450	\$ -	\$ -	\$ 6,265,450	\$ 6,265,450
Land Improvements	(1,550)	17,260	-	-	(1,550)	17,260
Buildings	42,945,220	41,528,961	-	-	42,945,220	41,528,961
Technology Equipment	868,273	868,884	-	-	868,273	868,884
Vehicles	1,488,367	1,646,427	-	-	1,488,367	1,646,427
General Equipment	300,906	259,268	167,420	152,708	468,326	411,976
Construction in Progress	7,189,070	13,835,298	-	-	7,189,070	13,835,298
Totals	\$59,055,736	\$64,421,548	\$167,420	\$152,708	\$59,223,156	\$ 64,574,256

DEBT

The following describes our outstanding obligation for the fiscal year 2024.

**Capital Assets at Year-End
Outstanding Debt at Year-End
(in Millions)**

	Government Activities	
	2023	2024
General Obligation Bonds	\$ 22.57	\$ 22.37
Finance Purchase Obligations	1.04	1.80
KSBIT Obligations	0.40	0.35
Total Obligations	\$ 24.01	\$ 24.52

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of \$8.70 million, which is an increase of \$1,108,063. The unassigned portion of the fund balance in fiscal year 2024 was \$8.55 million, compared to the \$7.59 million from the preceding year. The amount of local taxes collected in 2024 was \$2.62 million and the amount collected for 2023 was \$2.72 million. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2024 for selected funds.

	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 2,665,809	\$ -	\$ -	\$ 407,162	\$ -	\$ -	\$ -
State Revenue Sources	15,391,636	949,875	174,305	-	-	1,774,289	151,233
Federal Revenue Sources	187,874	6,310,872	-	1,363,780	-	-	1,489,798
Other	206,616	60,519	-	-	5,355,530	-	50,191
Transfers	-	33,157	-	-	2,069,730	1,460,057	-
Total	18,451,935	7,354,423	174,305	1,770,942	7,425,260	3,234,346	1,691,222
Expenditures							
Instruction	9,643,405	4,226,301	-	-	-	-	-
Student Support Services	927,191	428,198	-	-	-	-	-
Instructional Staff Support Services	598,760	596,334	-	-	-	-	-
District Admin Support	775,557	104,581	-	-	-	-	-
School Admin Support	1,059,925	422,762	-	-	-	-	-
Business Support Services	348,242	124,466	-	-	-	-	-
Plant Operation & Management	2,073,503	533,186	-	-	-	-	-
Student Transportation	1,609,742	532,721	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	1,834,666
Community Services	5,302	385,874	-	-	-	-	-
Debt Service	269,088	-	-	-	-	3,234,346	-
Land Improvements	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Building Acquisitions & Construction	-	-	-	-	6,646,228	-	-
Transfers	33,157	-	-	1,460,057	2,069,730	-	-
Totals	17,343,872	7,354,423	-	1,460,057	8,715,958	3,234,346	1,834,666
Excess/(Deficit)	\$ 1,108,063	\$ -	\$ 174,305	\$ 310,885	\$ (1,290,698)	\$ -	\$ (143,444)

MAGOFFIN COUNTY SCHOOL DISTRICT – SALYERSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2024

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue was less than the budget by \$328,844. This does include the on-behalf payments made by the state for insurances, teachers' retirement, etc. for the benefit of the district and its employees. General Fund budget compared to actual revenue varied slightly in most line items. The line item that varied most significantly was property tax and state revenue.
- Actual General Fund expenditures were less than the budget by \$6,881,641.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2023-2024 with a 4% contingency as calculated by the Kentucky Department of Education. Significant Board action that impacts the finances continued funding of Board initiatives such as Study Island and MAP testing.

Issues which will impact future budgets include:

- Increased staffing and expenses to meet federal and state academic mandates
- Declining federal funds and federal funding not maintaining the pace of mandated pay increases
- Insufficient funding of the state transportation formula

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to the Finance Officer, Kevin Owens at 606-349-6117 or by mail at Magoffin County Board of Education, P.O. Box 109, Salyersville, KY 41465.

**BASIC
FINANCIAL STATEMENTS**

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 9,669,632	\$ -	\$ 9,669,632
Receivables (net)	2,183,643	165,062	2,348,705
Inventories	-	48,148	48,148
Net OPEB Asset	157,951	8,107	166,058
Capital assets:			
Land and construction in progress	20,100,748	-	20,100,748
Other capital assets, net of depreciation	44,320,800	152,708	44,473,508
Capital assets, net	<u>64,421,548</u>	<u>152,708</u>	<u>64,574,256</u>
Total assets	<u>76,432,774</u>	<u>374,025</u>	<u>76,806,799</u>
Deferred outflows of resources:			
Deferred outflows related to pensions	2,108,232	108,211	2,216,443
Deferred outflows related to OPEB CERS	772,803	39,667	812,470
Deferred outflows related to OPEB TRS	1,655,436	-	1,655,436
Deferred savings from refunding bonds	102,067	-	102,067
Total deferred outflows of resources	<u>4,638,538</u>	<u>147,878</u>	<u>4,786,416</u>
Total assets and deferred outflows of resources	<u>81,071,312</u>	<u>521,903</u>	<u>81,593,215</u>
Liabilities:			
Accounts payable and accrued expenses	282,787	19,561	302,348
Accrued salaries and benefit payables	52,329	-	52,329
Accrued interest payable	202,873	-	202,873
Interfund Liability	-	84,359	84,359
Unearned revenue	176,693	-	176,693
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,665,000	-	2,665,000
Finance purchase obligations	145,319	-	145,319
Workers compensation payable	53,137	-	53,137
Total due within 1 year	<u>2,863,456</u>	<u>-</u>	<u>2,863,456</u>
Due in more than 1 year:			
Bond obligations	17,702,566	-	17,702,566
Finance purchase obligations	713,238	-	713,238
Workers compensation payable	298,938	-	298,938
Sick leave	319,249	-	319,249
Net pension liability	7,340,857	376,791	7,717,648
Net OPEB liability TRS	2,715,000	-	2,715,000
Total due in more than 1 year	<u>29,089,848</u>	<u>376,791</u>	<u>29,466,639</u>
Total liabilities	<u>32,667,986</u>	<u>480,711</u>	<u>33,148,697</u>
Deferred inflows of resources:			
Deferred inflows related to pensions	1,745,916	89,614	1,835,530
Deferred inflows related to OPEB CERS	2,962,595	152,065	3,114,660
Deferred inflows related to OPEB TRS	2,285,000	-	2,285,000
Total deferred inflows of resources	<u>6,993,511</u>	<u>241,679</u>	<u>7,235,190</u>
Net position:			
Net investment in capital assets	35,448,659	152,708	35,601,367
Restricted for:			
Capital projects	3,275,920	-	3,275,920
School activities	162,367	-	162,367
Sick leave	156,269	-	156,269
Unrestricted (deficit)	2,366,600	(353,195)	2,013,405
Total net position	<u>\$ 41,409,815</u>	<u>\$ (200,487)</u>	<u>\$ 41,209,328</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 81,071,312</u>	<u>\$ 521,903</u>	<u>\$ 81,593,215</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary Government:							
Governmental activities:							
Instructional staff	\$ 14,187,959	\$ -	\$ 8,715,737	\$ -	\$ (5,472,222)	\$ -	\$ (5,472,222)
Support services:							
Student	1,355,389	614,642	719,471	-	(21,276)	-	(21,276)
Instructional staff	1,195,094	-	627,429	-	(567,665)	-	(567,665)
District administration	880,138	-	430,897	-	(449,241)	-	(449,241)
School administration	1,187,304	-	785,930	-	(401,374)	-	(401,374)
Business	472,708	-	255,902	-	(216,806)	-	(216,806)
Plant operation & maintenance	1,863,827	-	1,377,303	1,615,284	1,128,760	-	1,128,760
Student transportation	1,847,080	-	1,311,426	-	(535,654)	-	(535,654)
Community services operations	346,638	-	230,954	-	(115,684)	-	(115,684)
Land improvements	-	-	15,592	-	15,592	-	15,592
Interest on long-term debt	752,480	-	-	1,766,932	1,014,452	-	1,014,452
Depreciation	1,727,897	-	-	-	(1,727,897)	-	(1,727,897)
Total governmental activities	<u>25,816,514</u>	<u>614,642</u>	<u>14,470,641</u>	<u>3,382,216</u>	<u>(7,349,015)</u>	<u>-</u>	<u>(7,349,015)</u>
Business-type activities:							
Food service operations	1,834,666	47,266	1,641,031	-	-	(146,369)	(146,369)
Depreciation	14,712	-	-	-	-	(14,712)	(14,712)
Total business-type activities	<u>1,849,378</u>	<u>47,266</u>	<u>1,641,031</u>	<u>-</u>	<u>-</u>	<u>(161,081)</u>	<u>(161,081)</u>
Totals	<u>\$ 27,665,892</u>	<u>\$ 661,908</u>	<u>\$ 16,111,672</u>	<u>\$ 3,382,216</u>	<u>\$ (7,349,015)</u>	<u>\$ (161,081)</u>	<u>\$ (7,510,096)</u>
-							
- General revenues:							
Property taxes levied for:							
Property taxes					1,468,661	-	1,468,661
- Motor vehicle taxes					621,639	-	621,639
- Franchise					185,637	-	185,637
Utility taxes					751,237	-	751,237
State and formula grants					13,455,254	-	13,455,254
Other local revenue					111,655	-	111,655
Sale of equipment					8,063	-	8,063
Unrestricted investment earnings					53,924	2,925	56,849
Total general revenues					<u>16,656,070</u>	<u>2,925</u>	<u>16,658,995</u>
Change in net position					9,307,055	(158,156)	9,148,899
Net position at beginning of year					<u>32,102,760</u>	<u>(57,043)</u>	<u>32,045,717</u>
- Net position at end of year					<u>\$ 41,409,815</u>	<u>\$ (215,199)</u>	<u>\$ 41,194,616</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30,2024

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ 6,058,727	\$ 975,968	\$ -	\$ -	\$ 2,815,523	\$ 9,850,218
Receivables:						
Interfund receivables	2,643,486	-	-	-	-	2,643,486
Taxes	227,318	-	-	-	-	227,318
Accounts	61,853	-	-	-	-	61,853
Intergovernmental-federal	-	1,894,472	-	-	-	1,894,472
Total assets	<u>\$ 8,991,384</u>	<u>\$ 2,870,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,815,523</u>	<u>14,677,347</u>
Liabilities:						
Accounts payable	231,374	50,261	1,152	-	-	282,787
Accrued salaries & benefits payable	52,329	-	-	-	-	52,329
Interfund payables	-	2,643,486	180,584	-	-	2,824,070
Unearned revenue	-	176,693	-	-	-	176,693
Total liabilities	<u>283,703</u>	<u>2,870,440</u>	<u>181,736</u>	<u>-</u>	<u>-</u>	<u>3,335,879</u>
Fund balances:						
Restricted	-	-	-	-	2,815,523	2,815,523
Committed:	156,269	-	-	-	-	156,269
Unassigned (deficit)	8,551,412	-	(181,736)	-	-	8,369,676
Total fund balances	<u>8,707,681</u>	<u>-</u>	<u>(181,736)</u>	<u>-</u>	<u>2,815,523</u>	<u>11,341,468</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 8,991,384</u>	<u>\$ 2,870,440</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,815,523</u>	<u>\$ 14,677,347</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30,2024

Total governmental fund balances	\$	11,341,468
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statemtn of net position		64,421,548
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current finacnial resources but are capitalized on the statement of net position using the economic resources focus		102,067
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interst payable		(202,873)
Bonds payable		(20,367,566)
Finance purchase payable		(858,557)
Workers comp payable		(352,075)
Sick leave liability		(319,249)
Net OPEB liability		(2,557,049)
Net Pension liability		(7,340,857)
Deferred outflows and inflows or resouces related to pensions are applicable to future periods and therefore, are not reported in the funds		
Deferred outflows related to net pensions		2,108,230
Deferred outflows related to OPEB		2,428,239
Deferred inflows related to net pensions		(1,745,916)
Deferred inflows related to OPEB		(5,247,595)
Net position of governmental activities	\$	<u>41,409,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes						
Property	\$ 1,061,499	\$ -	\$ -	\$ -	\$ 407,162	1,468,661
Motor vehicle	621,639	-	-	-	-	621,639
Franchise	185,637	-	-	-	-	185,637
Utilities	751,237	-	-	-	-	751,237
Earnings on investments	45,797	-	8,127	-	-	53,924
Other local revenue	206,616	60,519	5,000,000	-	-	5,267,135
Student activities	-	-	-	-	614,642	614,642
Intergovernmental - state	15,391,636	949,875	-	1,774,289	1,538,085	19,653,885
Intergovernmental - federal	187,874	6,310,872	-	-	-	6,498,746
Payment in lieu of taxes	-	-	-	-	-	-
Total revenues	<u>18,451,935</u>	<u>7,321,266</u>	<u>5,008,127</u>	<u>1,774,289</u>	<u>2,559,889</u>	<u>35,115,506</u>
Expenditures:						
Instruction	9,643,405	4,226,301	-	-	613,634	14,483,340
Support services:						
Student	927,191	428,198	-	-	-	1,355,389
Instructional staff	598,760	596,334	-	-	-	1,195,094
District administration	775,557	104,581	-	-	-	880,138
School administration	1,059,925	422,762	-	-	-	1,482,687
Business	348,242	124,466	-	-	-	472,708
Plant operation & maintenance	2,073,503	533,186	-	-	-	2,606,689
Student transportation	1,609,742	532,721	-	-	-	2,142,463
Building acquisitions & construction	-	-	6,646,228	-	-	6,646,228
Land improvements	-	-	-	-	-	-
Community services operations	5,302	385,874	-	-	-	391,176
Debt service	269,088	-	-	3,234,346	-	3,503,434
Total expenditures	<u>17,310,715</u>	<u>7,354,423</u>	<u>6,646,228</u>	<u>3,234,346</u>	<u>613,634</u>	<u>35,159,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,141,220</u>	<u>(33,157)</u>	<u>(1,638,101)</u>	<u>(1,460,057)</u>	<u>1,946,255</u>	<u>(43,840)</u>
Other financing sources (uses):						
Sale of bonds	-	-	347,403	-	-	347,403
Sale of assets	8,063	-	-	-	-	8,063
Operating transfers in	-	33,157	2,069,730	1,460,057	-	3,562,944
Operating transfers (out)	(33,157)	-	(2,069,730)	-	(1,460,057)	(3,562,944)
Total other financing sources (uses)	<u>(25,094)</u>	<u>33,157</u>	<u>347,403</u>	<u>1,460,057</u>	<u>(1,460,057)</u>	<u>355,466</u>
Net change in fund balances	1,116,126	-	(1,290,698)	-	486,198	311,626
Fund balances at beginning of year	<u>7,591,555</u>	<u>-</u>	<u>1,108,962</u>	<u>-</u>	<u>2,329,325</u>	<u>11,029,842</u>
Fund balances at end of year	<u>\$ 8,707,681</u>	<u>\$ -</u>	<u>\$ (181,736)</u>	<u>\$ -</u>	<u>\$ 2,815,523</u>	<u>\$ 11,341,468</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds	\$	311,626
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		385,943
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		795,587
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		5,365,810
The sale of bonds is recognized as receipts of current financial resources in the fund financial statement but are additions of liabilities in the statement of net position.		(370,000)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		(8,455)
The discount on the sale of bonds is reported as an expenditure by current financial resources but it is deferred and amortized over the life of the bond on the statement of net position		(19,425)
Bond and finance purchase payment are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		2,770,379
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when incurred.		
Accrued interest payable		30,832
Workers comp payable		51,469
Noncurrent sick leave payable		(6,711)
		9,307,055
Change in net position of governmental activities	\$	9,307,055

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
From local sources:				
Taxes				
Property	\$ 935,500	\$ 935,500	\$ 1,061,499	\$ 125,999
Motor vehicle	475,000	475,000	621,639	146,639
Franchise tax	225,000	225,000	185,637	(39,363)
Utilities	625,000	625,000	751,237	126,237
Earnings on investments	2,500	2,500	45,797	43,297
Other local revenue	194,575	194,575	206,616	12,041
Intergovernmental - state	16,213,204	16,213,204	15,391,636	(821,568)
Intergovernmental - federal	110,000	110,000	187,874	77,874
Total revenues	<u>18,780,779</u>	<u>18,780,779</u>	<u>18,451,935</u>	<u>(328,844)</u>
Expenditures:				
Current:				
Instruction	11,621,170	11,621,170	9,643,405	1,977,765
Support services:				
Student	1,441,459	1,441,459	927,191	514,268
Instruction staff	1,059,625	1,059,625	598,760	460,865
District administration	1,937,340	1,937,340	775,557	1,161,783
School administration	1,524,467	1,524,467	1,059,925	464,542
Business	515,304	515,304	348,242	167,062
Plant operation & maintenance	3,184,682	3,184,682	2,073,503	1,111,179
Student transportation	2,549,038	2,549,038	1,609,742	939,296
Land improvements	-	-	-	-
Community services operations	38,733	38,733	5,302	33,431
Debt service	320,538	320,538	269,088	51,450
Total expenditures	<u>24,192,356</u>	<u>24,192,356</u>	<u>17,310,715</u>	<u>6,881,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,411,577)</u>	<u>(5,411,577)</u>	<u>1,141,220</u>	<u>6,552,797</u>
Other financing sources (uses):				
Operating transfers (out)	-	-	(33,157)	(33,157)
Capital lease proceeds	-	-	-	-
Sale of assets	7,754	7,754	8,063	309
Total other financing sources (uses)	<u>7,754</u>	<u>7,754</u>	<u>(25,094)</u>	<u>(32,848)</u>
Net change in fund balance	(5,403,823)	(5,403,823)	1,116,126	6,519,949
Fund balance at beginning of year	<u>7,591,555</u>	<u>7,591,555</u>	<u>7,591,555</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,187,732</u>	<u>\$ 2,187,732</u>	<u>\$ 8,707,681</u>	<u>\$ 6,519,949</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Other local revenue	\$ 656,974	\$ 656,974	\$ 118,523	\$ (538,451)
Intergovernmental - state	969,287	969,287	1,018,130	48,843
Intergovernmental - federal	2,469,022	2,469,022	4,473,063	2,004,041
Total revenue	<u>4,095,283</u>	<u>4,095,283</u>	<u>5,609,716</u>	<u>1,514,433</u>
Expenditures:				
Current:				
Instructional staff	3,211,059	3,211,059	4,224,878	(1,013,819)
Support services:				
Student	43,095	43,095	428,198	(385,103)
Instructional staff	345,309	345,309	598,051	(252,742)
District administration	-	-	104,581	(104,581)
School administration	58,180	58,180	422,762	(364,582)
Business	60,966	60,966	124,467	(63,501)
Plant operations and maintenance	-	-	533,186	(533,186)
Student transportation	26,975	26,975	532,721	(505,746)
Community services operations	386,928	386,928	385,984	944
Total expenditures	<u>4,132,512</u>	<u>4,132,512</u>	<u>7,354,828</u>	<u>(3,222,316)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,229)</u>	<u>(37,229)</u>	<u>(1,745,112)</u>	<u>(1,707,883)</u>
Other financing sources (uses):				
Operating transfers (out)	-	-	(967,284)	(967,284)
Operating transfers in	37,229	37,229	33,157	(4,072)
Total other financing sources (uses)	<u>37,229</u>	<u>37,229</u>	<u>(934,127)</u>	<u>(971,356)</u>
Net change in fund balance	-	-	(2,679,239)	(2,679,239)
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,679,239)</u>	<u>\$ (2,679,239)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND

June 30, 2024

	Enterprise Funds
	School Food Services
Assets:	
Accounts receivable, net	\$ 165,062
Inventories	48,148
Net OPEB Asset	8,107
Other capital assets, net of depreciation	152,708
Total assets	374,025
Deferred outflows of resources:	
Deferred outflows related to pensions	108,211
Deferred outflows related to OPEB	39,667
Total deferred outflows of resources	147,878
Total Assets and Deferred Outflows of Resources	521,903
Liabilities:	
Accounts payable	19,561
Intrafund Payable	84,359
Net pension liability	376,791
Total liabilities	480,711
Deferred inflows of resources:	
Deferred inflows related to pensions	89,614
Deferred inflows related to OPEB	152,065
Total deferred inflows of resources	241,679
Net position:	
Net investment in capital assets	152,708
Unrestricted	(353,195)
Total net position	\$ (200,487)
Total Liabilities, Deferred Inflows of Resources and Net Position	521,903

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Enterprise Funds
	School Food Services
Operating revenues:	
Lunchroom sales	\$ 47,266
Total operating revenues	47,266
Operating expenses:	
Depreciation	14,712
Food service operations	
Employee services	826,568
Operational expenses	993,386
Total operating expenses	1,834,666
Operating income (loss)	(1,787,400)
Nonoperating revenues (expenses):	
Federal grants	1,489,798
State grants	151,233
Earnings from investments	2,925
Total nonoperating revenues (expenses)	1,643,956
Change in net position	(143,444)
Net position at beginning of year	(57,043)
Net position at end of year	\$ (200,487)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	Enterprise Funds
	School Food Services
Cash flows from operating activities:	
Receipts from customers	\$ 47,266
Payments to suppliers	(746,490)
Payments to employees	(1,068,907)
	(1,768,131)
Net cash provided by (used) by operating activities	(1,768,131)
Cash flows from noncapital financing activities:	
Intergovernmental revenue	1,641,031
	1,641,031
Net cash provided by noncapital financing activities	1,641,031
Cash flows from investing activities:	
Interest	2,925
	2,925
Net cash provided by investing activities	2,925
Net increase (decrease) in cash and cash equivalents	(124,175)
Cash and cash equivalents at beginning of year	124,175
Cash and cash equivalents at end of year	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,787,400)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	14,712
Changes in assets and liabilities:	
Receivables	(57,511)
Payables	(817)
Outflow Deferrals	10,932
Inflow Deferrals	(104,662)
Pension liability	35,278
OPEB liability	120,617
	120,617
Net cash provided by (used) by operating activities	\$ (1,768,851)

Noncash Noncapital Financing Activities

During the year, the district received \$70,841 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payme relating to fringe benefits in the amount of \$155,744 provided by state government.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Magoffin County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Magoffin County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds relevant to the operation of the Magoffin County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Blended Component Unit

Magoffin County Board of Education Finance Corporation

The Board authorized establishment of the Magoffin County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Magoffin County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Special Revenue (Student Activity) Fund

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

(D) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(E) Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis, On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement the revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2024, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended June 30, 2024

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the government funds. These assets are reported in the government activities column of the government-wide financial Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted:	Legally restricted under legislation, bond authority, or grantor contract.
Committed:	Commitments of future funds for specific purposes passed by the Board.
Assigned:	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned:	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were \$.599 per \$100 valuation of real property, \$.620 per \$100 valuation for business personal property and \$.576 per \$100 valuation for motor vehicles.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Inter-fund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Interfund Transfers

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS’s pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“TRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers’ Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS’s/CERS’s fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The process of preparing financial statements in conformity accounting principles generally accepted in the United States of America requires District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, expenditures, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Special Revenue Fund Expenditures exceeded budgeted appropriations by \$3,222,316.

New Accounting Pronouncements

GASB Statement No. 100-In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting period thereafter.

There is no effect on current year financial statements for newly adopted accounting pronouncements.

Effective in Future Years;

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards:

GASB Statement No. 101-In April, 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement I to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15 2023, and all reporting periods thereafter.

GASB Statement No. 102-In December, 2023, the GASB issued Statement No. 101, *Certain Risk Disclosures*. The objectives of this Statement is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The Statement is effective for fiscal years beginning after June 15, 2024, and reporting periods thereafter.

GASB Statement No. 103- In April, 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement is effective for fiscal years beginning after June 15, 2025, and reporting periods thereafter.

NOTE B – CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured;

**MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2024

and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$9,418,654. The bank balance for the same time was \$9,676,827.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

Governmental Activities	July 1, 2023	Additions	Deductions	June 30, 2024
Land - nondepreciable	\$ 6,265,450	\$ -	\$ -	\$ 6,265,450
Construction in progress-				
nondepreciable	7,189,070	6,646,228	-	13,835,298
Land improvements	127,265	18,975	-	146,240
Buildings	61,498,351	-	-	61,498,351
Technology equipment	1,392,124	8,775	-	1,400,899
Vehicles	3,975,099	419,729	-	4,394,828
General equipment	1,724,475	-	-	1,724,475
Total at historical cost	<u>82,171,834</u>	<u>7,093,707</u>	<u>-</u>	<u>89,265,541</u>
Less: Accumulated depreciation				
Land improvements	(128,815)	(165)	-	(128,980)
Buildings	(18,553,131)	(1,416,259)	-	(19,969,390)
Technology equipment	(523,850)	(8,165)	-	(532,015)
Vehicles	(2,486,732)	(261,669)	-	(2,748,401)
General equipment	(1,423,568)	(41,639)	-	(1,465,207)
Total accumulated depreciation	<u>(23,116,096)</u>	<u>(1,727,897)</u>	<u>-</u>	<u>(24,843,993)</u>
Governmental Activities				
Capital Assets-net	<u>59,055,738</u>	<u>5,365,810</u>	<u>-</u>	<u>64,421,548</u>

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

Business-Type Activities

General equipment	589,684	-	-	589,684
Total at historical cost	589,684	-	-	589,684
Less: Accumulated depreciation				
General equipment	(422,264)	(14,712)	-	(436,976)
Total accumulated depreciation	(422,264)	(14,712)	-	(436,976)
Business-Type Activities				
Capital Assets-net	167,420	(14,712)	-	152,708

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE D – LONG TERM DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Magoffin County School District Finance Corporation.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Magoffin County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2024, are summarized below:

Bond Issue	Original Amount	Maturity Date	Interest Rates	2023			2024
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2014	\$ 16,000,000	2035	2.00%-2.50%	\$ 11,660,000	\$ -	\$ 655,000	\$ 11,005,000
2015R	8,185,000	2027	2.00%-3.625%	6,160,000	-	1,535,000	4,625,000
2015R	1,650,000	2035	2.00%-3.50%	1,230,000	-	70,000	1,160,000
2019R	5,005,000	2029	2.00%-3.00%	3,705,000	-	330,000	3,375,000
2023	370,000	2044	4.00%-4.50%	-	370,000	-	370,000
	<u>\$ 31,210,000</u>			<u>22,755,000</u>	<u>370,000</u>	<u>2,590,000</u>	<u>20,535,000</u>
Less:		Discount		(186,859)	-	(19,425)	(167,434)
Totals				<u>\$ 22,568,141</u>	<u>\$ 370,000</u>	<u>\$ 2,570,575</u>	<u>\$ 20,367,566</u>

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2024, for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
	2025	\$ 1,117,565	\$ 1,547,435	\$ 368,448		
2026	1,150,123	1,589,877	337,913	180,105	2,740,000	518,018
2027	1,189,161	1,410,839	306,437	142,706	2,600,000	449,143
2028	1,217,482	687,518	282,606	116,200	1,905,000	398,806
2029	1,252,086	707,914	249,514	96,942	1,960,000	346,456
2030-2034	4,992,371	1,927,629	705,099	249,799	6,920,000	954,898
2035-2044	1,317,266	427,734	76,104	7,753	1,745,000	83,857
	<u>\$ 12,236,054</u>	<u>\$ 8,298,946</u>	<u>\$ 2,326,121</u>	<u>\$ 1,012,651</u>	<u>\$ 20,535,000</u>	<u>\$ 3,338,772</u>

Finance Purchases

The following is an analysis of the financed property under financed purchases by class:

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

KISTA Issue	Original Amount	Maturity Date	Interest Rates	2023			2024
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2014	\$ 337,452	2024	2.00%-3.00%	\$ 31,482	\$ -	\$ 31,482	\$ -
2017	256,609	2027	3.00%	101,741	-	26,597	75,144
2019	179,111	3/1/2029	3.00%	105,799	-	18,126	87,673
2020	277,758	3/11/2030	2.00%	191,235	-	27,200	164,035
2021	458,455	3/1/2031	1.25%-1.50%	356,807	-	44,880	311,927
2022	283,844	3/1/2032	3.00%	251,872.00	-	32,094	219,778
Totals	\$ 1,793,229			\$ 1,038,936	\$ -	\$ 180,379	\$ 858,557

The following is a schedule by years of the future minimum payments under finance purchases together with the present value of the net minimum payments as of June 30, 2024:

Fiscal Year Ended June 30th	Principal Local	Interest Local	Total Payments
2025	\$ 145,319	\$ 18,517	\$ 163,836
2026	144,254	15,351	159,605
2027	147,362	12,216	159,578
2028	120,152	9,007	129,159
2029	117,489	6,521	124,010
2030-2032	183,981	6,905	190,886
	\$ 858,557	\$ 68,517	\$ 927,074

Total minimum payments	\$ 927,074
Less: Amount representing interest	<u>(68,517)</u>

Present Value of Net Minimum Payments	\$ <u>858,557</u>
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In order to secure the payment of all of the Board's obligations under a KISTA Lease, the Board grants to KISTA a security interest constituting a first lien on the Equipment and on all additions, attachments, accessories, and substitutions thereto, and on all proceeds therefrom. In the Event of Default, title to the Equipment shall immediately vest in KISTA, and the Board will immediately surrender possession of the Equipment to KISTA or to KISTA's order; by the execution of this Lease the Board agrees upon demand by KISTA or the Second Trustee, and without order of court, to execute a bill of sale or such other instrument as may be required in favor of KISTA or the Second Trustee in order to permit liquidation of the equipment in an Event of Default by the Board.

**MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2024

Accumulated Sick Leave Liability

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2024 for accumulated sick leave is as follows:

	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
Sick Leave	\$ 312,538	\$ 6,711	\$ -	\$ 319,249

KSBIT

The District elected to finance the worker's compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2024 for the worker's compensation and property and liability deficit are as follows:

Insurance Fund	2023 Outstanding Balance	Additions	Retirements	2024 Outstanding Balance
Worker's Compensation	\$ 403,544	\$ -	\$ 51,469	\$ 352,075

The minimum payments are as follows:

Fiscal Year Ended	Principal	Interest	Total
June 30th			
2025	\$ 53,137	\$12,821	\$ 65,958
2026	55,102	10,855	65,957
2027	57,351	8,606	65,957
2028	59,692	6,266	65,958
2029	62,049	3,866	65,915
2030	64,744	1,256	66,000
	\$352,075	\$43,670	\$395,745

Net Pension & OPEB Liability

The net pension liability is \$8,028,165 governmental activities and \$412,069 for business-type activities for a total of \$8,440,234 as of June 30, 2023 (See Note E for additional information). The net OPEB liability is \$6,080,982 for governmental activities and \$112,510 for business-type activities for a total of \$6,193,492 as of June 30, 2023 (See Note F for additional information).

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

<u>Description</u>	2023			2024	
	<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>	<u>Amount Due in One Year</u>
Bonds, Net of Premium and Discount	\$ 22,568,141	\$ 370,000	\$ 2,570,575	\$ 20,367,566	\$ 1,486,013
Finance Purchases	1,038,936	-	180,379	858,557	145,319
Sick Leave	312,538	6,711	-	319,249	-
KSBIT	403,544	-	51,469	352,075	53,137
Net Pension Liability	8,440,234	-	1,099,377	7,340,857	-
Net OPEB Liability	6,193,492	-	3,478,492	2,715,000	-
Totals	<u>\$ 38,956,885</u>	<u>\$ 376,711</u>	<u>\$ 7,380,292</u>	<u>\$ 31,953,304</u>	<u>\$ 1,684,469</u>

NOTE E – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification.

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information> .

Benefits provisions

For Members before July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

- 1.) Attain age 55 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

MAGOFFIN COUNTY SCHOOL DISTRICT
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Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

MAGOFFIN COUNTY SCHOOL DISTRICT
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For the year ended June 30, 2024

For Members on and after January 1, 2022:

Condition for Retirement Attainment of age 57 and 10 years of service or attainment of age 65
And 5 years of service.

Amount of Allowance
Foundational Benefit The annual foundational benefit for members is equal to service times
A multiplier times final average salary.

Age	Years of Service					
	5-9.99	10- 19.99	20- 29.99	30 or More		
57-60	- %	1.70 %	1.95 %	2.20 %		
61	- %	1.74 %	1.99 %	2.24 %		
62	- %	1.78 %	2.03 %	2.28 %		
63	- %	1.82 %	2.07 %	2.32 %		
64	- %	1.86 %	2.11 %	2.36 %		
65 and over	1.90 %	1.90 %	2.15 %	2.40 %		

The annual foundational benefit is reduced by 6% per year from the
Earlier of age 60 on the date the member would have completed 30
Years of service.

Supplemental Benefit The annual supplemental benefit is equal to the account balance which
Includes member and employer contributions and interest credited
Annually on June 30. Options include annuitizing the balance or receiving
The balance as a lump sum either at the time of retirement or at a later
Date.

Disability Retirement Allowance
Condition for Allowance Totally and permanently incapable of being employed as a teacher and
Under age 60 but after completing 5 years of service

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
 For the year ended June 30, 2024

Options	<p>The allowances are payable until a child attains age 18, or age 23 if a Full-time student.</p> <p>If the member has no eligible survivor, a refund of his accumulated Contributions is payable to his estate.</p> <p>In lieu of the regular Option 1, a retirement allowance payable in the Form of a life annuity with refundable balance, any member before Retirement may elect to receive a reduced allowance which is actuarially Equivalent to the full allowance, in one of the following forms:</p> <p>Option 2. A single life annuity payable during the member's lifetime with Payments for 10 years certain.</p> <p>Option 3. At the death of the member his allowance is continued Throughout the life of the beneficiary.</p> <p>Option 3(a). At the death of the beneficiary designated by the member Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.</p> <p>Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.</p> <p>Option 4(a). At the death of the beneficiary designated by the member Under Option 4, the member's benefit will revert to what would have been Paid had he not selected an option.</p>
Post-Retirement Adjustments	<p>The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.</p>
Member Contributions	
Members before 1/1/2022	9.105% of salary to the Retirement System.
Members on and after 1/1/2022	9% of salary to the Retirement System and an additional 2% of salary to The supplemental benefit account. Employers also contributes 2%.

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Employees are required to contribute 12.855% of their salaries to the system effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter. Contributions for local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to TRS

The District did not report a liability for the District's proportionate share of the net pension liability, pension expense, and deferred inflows and outflows of resources because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

MAGOFFIN COUNTY SCHOOL DISTRICT
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For the year ended June 30, 2024

TRS

State's proportionate share of the TRS net pension liability associated with the District \$ 36,000,812

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. The District's proportion was 0.2113%.

Actuarial Methods and Assumptions

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2022
Prior Measurement Date	June 30, 2022
Measurement Date	June 30, 2023
Reporting Date	June 30, 2024
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	2.13%
Municipal Bond Index Rate at Measurement Date	3.37%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	7.10

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, follows.

Asset Class	Target Allocation	Long-Term Expected Rates of Return
Large Cap US Equity	37.4 %	5.0 %
Small Cap Equity	2.6 %	5.5 %
Developed International Equity	17.7 %	5.5 %
Emerging Markets Equity	5.3 %	6.1 %
Fixed Income	15.0 %	1.9 %
High Yield Bonds	5.0 %	3.8 %
Other Additional Categories	5.0 %	3.6 %
Real Estate	7.0 %	3.2 %
Private Equity	7.0 %	8.0 %
Cash	<u>2.0 %</u>	1.6 %
 Total	 <u>100 %</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

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TRS	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 45,850,234	\$ 36,008,812	\$ 27,214,179

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.TRS.ky.gov/>.

County Employees Retirement System

Non-Hazardous

Plan description

Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions

Funding for CERS:

Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.

Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.

Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member’s creditable compensation.

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For the year ending June 30, 2024, employers were required to contribute 26.95% of the member’s salary, 22.78% pension and 4.17% for insurance. The District contributed \$835,206 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS

At June 30, 2024, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$7,717,648 was based on contributions to CERS during the fiscal year ended June 30, 2023. The District’s proportion was 0.120278%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2024, is based on the June 30, 2023, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension revenue of \$405,753 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
CERS		
Differences between expected and actual experience	\$ 399,528	\$ 20,971
Changes of Assumptions	-	707,328.00
Net difference between projected and actual earnings on pension plan investments	833,725	938,998
Changes in proportionate and differences between District contributions and proportionate share of contributions	147,984	168,233
District contributions subsequent to the measurement date	899,252	-
	\$ 2,280,489	\$ 1,835,530

The \$899,252 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year.

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Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

	Year Ended June 30th
Year 1	\$ (330,658)
Year 2	(221,210)
Year 3	172,289
Year 4	<u>(74,714)</u>
	<u>\$ (454,293)</u>

Actuarial Valuation

KPPA’s actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2023.

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience every 5 years. In general, the assumptions and methods, used in the June 30, 2023 valuation are based on the most recent actuarial experience study for the five year period ending June 30, 2018.

1. Actuarial Cost Method-prepared using the entry age normal cost (EANC) method as required by state statute.
2. UAAL Amortization Method-the actuarial liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization.
3. Asset Valuation Method- recognizes a portion of the difference between the market value of assets and he expected market value of assets.
4. Retiree Insurance Funding Policy-calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 20-year amortization bases.
5. Investment Return Assumption-the future investment earnings of plan assets are assumed t accumulate at a rate of 6.25% per annum.
6. Salary Increase Assumptions-member’s salaries are assumed to increase, price inflation component is 2.3%, and productivity component is 1%.
7. Health Care Cost Trend Rate-medical premiums are assumed to increase in 2024 at 6.2% for Non-Medicare Plans, and 9% for Medicare Plans.
8. Payroll Growth Assumption-the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll is assumed to increase at a rate of 0%.
9. Retiree Cost of Living Adjustments (COLA)-SB2 only allows the Cost of Living Adjustments to be awarded on a biennial basis.
10. Retirement Rate Assumptions-retirement ages for Males to retire range from 35%, Females 27%, under 45 years of age to 30% for Males age 70, Females 27%.
11. Mortality Assumptions-refer to the tables included in the KPPA’s 2022 Annual Report.
12. Withdrawal Rates- the probability, or likelihood, of active member’s terminating employment range from 20% with 1 year of service to 1.35% for 25 years of service.

MAGOFFIN COUNTY SCHOOL DISTRICT
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13. Rates of Disablement-disability benefits to active members range from .04% probability near age 20 to 1.02% near age 60.
14. Assumption Changes Since Prior Valuation-in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the Medicare Plans was increased during the select period as a result of this review.

Discount rate

A single discount rate of 6.25% was used to measure the total pension liability for the fiscal year ending June 30, 2023. This single discount rate was based on the expected rate of return on pension plan investments.

Sensitivity of the District’s proportionate share of net pension liability to changes in the discount rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 9,743,997	\$ 7,717,648	\$ 6,033,676

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below for CERS Pension and Insurance Funds:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50 %	5.9 %
Private Equity	10 %	11.73 %
Fixed Income		
Core Fixed Income	10 %	2.45 %
Specialty Credit	10 %	3.65 %
Cash	0 %	1.39 %
Inflation Protected		
Real Estate	7 %	4.99 %
Real Return	13 %	5.15 %

Expected Real Return is 5.75%. Long Term Inflation Assumption is 2.5%. Expected Nominal Return of Portfolio is 8.25%.

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Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan

At June 30, 2024, there are no payables to CERS.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the other postemployment benefits for both systems.

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries.

MAGOFFIN COUNTY SCHOOL DISTRICT
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Also, employers contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

The District reported a liability of \$2,715,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .205449%.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District as follows:

MIF	
District's proportionate share of TRS net OPEB Liability	\$ 2,715,000
State's proportionate share of the TRS net OPEB liability associated with the District	<u>2,289,000</u>
	<u>\$ 5,004,000</u>

The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following.

	Deferred Outflows of Resources	Deferred Inflows of Resources
MIF		
Differences between expected and actual experience	\$ -	\$ 920,000
Changes of Assumptions	617,000	-
Net difference between projected and actual earnings on pension plan investments	51,000	-
Changes in proportionate and differences between District contributions and proportionate share of contributions	769,000	1,365,000
District contributions subsequent to the measurement date	<u>218,436</u>	<u>-</u>
	<u>\$ 1,655,436</u>	<u>\$ 2,285,000</u>

**MAGOFFIN COUNTY SCHOOL DISTRICT
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For the year ended June 30, 2024

The \$218,436 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

MIF	Year Ended June 30th
Year 1	\$ (270,000)
Year 2	(241,000)
Year 3	(61,000)
Year 4	(52,000)
Year 5	(111,000)
Thereafter	<u>(113,000)</u>
	<u>\$ (848,000)</u>

Actuarial Methods and Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation Date	June 30, 2022
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Payroll Growth	2.5% per annum
Salary Increase	2.75 per annum
Discount Rate	7.10%
Health Care Cost Trends	
Medicare Part B	6.97% at June 30, 2022, decreasing to an ultimate rate of 4.55% by June 30, 2034 and beyond.
Under Age 65	7% at June 30, 2020, decreasing to an ultimate rate of 4.5% by June 30, 2034 and beyond.
Age 65 and Older	5.125% at June 30, 2022 with an ultimate rate of 4.5% by June 30, 2034 And beyond.

Mortality rates were based on the Teachers Mortality Table, and set forward two years for males and multiplied by 102%. Rates for females are set forward 2 years and multiplied by 101%. Disabled male members are set forward 1 year and multiplied by 96%. Rates for female members are set back 2 years and multiplied by 94%.

Target Allocations

The long-term expected rate of return on OPEB investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

MAGOFFIN COUNTY SCHOOL DISTRICT
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The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.10
Fixed Income	9.00	(0.10)
Real Estate	6.50	4.00
Private Equity	8.50	6.90
Additional Categories	17.00	2.20
Cash	1.00	(0.30)
Total	100.00	

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS’s actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee Contributions
 - Employer Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year’s valuation and in accordance with the Health Trust’s funding policy.

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As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years the following was assumed:
- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 7.10%, and what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

MIF	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 1,955,000	\$ 2,715,000	\$ 3,662,000

The following presents the District’s proportionate share of the collective net OPEB liability, as well as what it would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,493,000	\$ 2,715,000	\$ 2,073,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

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Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

Contributions

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

Net OPEB Liability

The District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows:

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	57,000
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Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015.

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The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table.

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0%	4.40%
Developed International Equity	15.0%	5.60%
Emerging Markets Equity	5.0%	-0.10%
Fixed Income	21.0%	4.00%
Other Additional Categories	5.0%	6.90%
Real Estate	7.0%	2.10%
Private Equity	5.0%	-0.30%
Cash	2.00%	
Total	100.0%	

As the Life Trust investment policy is to change, the above reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions of the June 30, 2021, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

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For the year ended June 30, 2024

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2024, the District recognized OPEB revenue in the amount of \$247,726 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides hospital and medical insurance for eligible members receiving benefits. The Insurance Fund will pay the cost of insurance premium for participating members prior to July 1, 2003 greater than 4 years of service, 25%, greater than 10 years of service, 50%, greater than 15 years of service, 75%, and greater than 20 years of service, 100%.

For participating members after July 1, 2003 the benefit paid by the Insurance Fund is based on years of service the dollar amount per year of service is \$13.99 to be applied to the current cost premium.

Contributions

Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

The District reported an asset of \$166,058 for its proportionate share of the collective net OPEB liability which is .120274%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2022. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2023, using generally accepted actuarial principles.

For the year ended June 30, 2024, the District recognized OPEB expense of \$53,169. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,768	\$ 2,357,863
Changes of Assumptions	326,791	227,741
Net difference between projected and actual earnings on pension plan investments	310,772	349,311
Changes in proportionate and differences between District contributions and proportionate share of contributions	59,139	179,745
District contributions subsequent to the measurement date	-	-
	\$ 812,470	\$ 3,114,660

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows.

	Year Ended June 30th
Year 1	\$ (614,642)
Year 2	(711,604)
Year 3	(532,904)
Year 4	(443,040)
	\$ (2,302,190)

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Implicit Employer Subsidy for non-Medicare retirees- The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms

None

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2023, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2022. The total OPEB liability was rolled-forward from the valuation to the plan’s fiscal year ending June 30, 2023, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2023:

Investment Rate of Return	6.25%
Inflation	2.3%
Payroll Growth Rate	2.0%
Salary Increases	3.3 to 10.3%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.3% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP- 2014 mortality improvement scale using a base year of 2019.

Senate Bill 209 passed in the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service each member attains over certain thresholds, depending on a member’s retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member’s applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

Discount rate

Single discount rates of 5.7% were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20 Year Municipal GO AA Index” as of June 30, 2022.

**MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2024

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy

The following table presents the Net OPEB Liability calculated using the discount rate of 5.7%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage- point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.7%	5.7%	6.7%
District's proportionate share of net OPEB liability	\$ 311,628	\$ (166,058)	\$ (566,062)

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District’s proportionate share of the net pension liability calculated using the discount rate of 5.7%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ (532,246)	\$ (166,058)	\$ 283,769

OPEB plan fiduciary net position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued CERS financial report.

NOTE G – COMMITMENTS

The District has commitments of \$46,881 as of June 30, 2024, for sick leave and \$1,490,905 for construction projects.

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2024

NOTE H – CONTINGENCIES

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor’s review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction the funds provided are being spent as intended and the grantors’ intent to continue their program.

NOTE I - LITIGATION

The District is subject to various other legal actions in various stages of litigation and has been turned over to the District’s insurance companies. At this time, it appears they are to be paid by insurance coverage.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers’ compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

The District purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTE L – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General Fund	Special Revenue	KETS	\$ 33,157
Construction	Special Revenue	Construction	Construction	\$ 181,736
Debt Service	Building Fund	Debt Service	Debt Payments	\$ 1,460,162

MAGOFFIN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

NOTE N – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

Fund	Change in Net Position/ Net Change in Fund Balance	Fund Balance/ Net Position
Construction	\$ (181,736)	\$ -
Food Service	\$ (215,199)	\$ (200,487)

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2024, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Plan/Description	Amount
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 2,349,170
Health Insurance	2,235,768
Life Insurance	4,036
Administrative Fee	32,124
HRA/Dental/Vision	247,888
Federal Reimbursement	(561,577)
Technology	79,885
SFCC Debt Service Payments	<u>1,774,289</u>
Total	\$ <u>6,161,583</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE P – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

Fund	Amount	Purpose
Capital Outlay	\$ 1,490,905	SFCC Requirements
FSPK Fund	\$ 1,161,243	SFCC Requirements
Student Activity	\$ 143,375	School Activity

NOTE Q – SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 31, 2025, the date the financial statements were available to be issued

REQUIRED SUPPLEMENTARY INFORMATION

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
County Employees Retirement System
Last Nine Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's proportion of the net pension liability	0.1202780%	0.1167550%	0.1247300%	0.1252090%	0.1235500%	0.1437300%	0.1400000%	0.1300000%	0.1400000%
School District's proportionate share of the net pension liability	\$ 7,717,648	\$ 8,440,234	\$ 7,952,516	\$ 9,603,427	\$ 8,689,538	\$ 8,753,839	\$ 8,076,686	\$ 6,184,832	\$ 5,923,085
State's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466	\$ 3,429,952	\$ 3,018,256	\$ 3,082,716
School District's proportionate share of the net pension liability as a percentage of its covered payroll	221.50%	262.57%	250.12%	299.13%	278.86%	243.20%	235.48%	204.91%	192.14%

Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Kentucky Teacher's Retirement System
Last Nine Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
School District's proportion of the net pension liability	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%	0.00000000%
School District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	\$ 36,000,812	\$ 36,483,921	\$ 29,525,991	\$ 33,682,085	\$ 34,738,198	\$ 33,579,157	\$ 71,430,339	\$ 82,181,106	\$ 65,742,093
School District's covered payroll	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029	\$ 10,234,114	\$ 10,139,339
School District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	80.00%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District Pension Contributions
County Employees Retirement System
Last Nine Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 835,206	\$ 899,252	\$ 829,259	\$ 731,471	\$ 726,298	\$ 637,486	\$ 521,203	\$ 640,714	\$ 514,615
Contributions in relation to the contractually required contribution	<u>(835,206)</u>	<u>(899,252)</u>	<u>(829,259)</u>	<u>(731,471)</u>	<u>(726,298)</u>	<u>(637,486)</u>	<u>(521,203)</u>	<u>(640,714)</u>	<u>(514,615)</u>
Contribution deficiency (excess)	<u>\$ -</u>								
School District's covered payroll	\$ 3,578,439	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466	\$ 3,429,952	\$ 3,018,256
Contributions as a percentage of covered payroll	14.00%	25.81%	25.80%	23.01%	22.62%	20.46%	14.80%	18.68%	17.05%

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District Pension Contributions
Kentucky Teacher's Retirement System
Last Nine Years

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered payroll	\$ 10,094,729	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029	\$ 10,234,114
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Medical and Life Insurance Plans - Teachers' Retirement System
Last Seven Years (1)

MEDICAL INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
School District's proportion of the net OPEB liability	0.2054490%	0.1566590%	0.1221610%	0.1285780%	0.1370900%	0.1333800%	0.1400000%
School District's proportionate share of the net OPEB liability	\$ 2,715,000	\$ 3,889,000	\$ 2,621,000	\$ 3,245,000	\$ 4,012,000	\$ 4,628,000	\$ 5,029,000
State's proportionate share of the net OPEB liability	<u>2,289,000</u>	<u>1,278,000</u>	<u>2,129,000</u>	<u>2,599,000</u>	<u>3,240,000</u>	<u>3,988,000</u>	<u>4,108,000</u>
Total	<u>\$ 5,004,000</u>	<u>\$ 5,167,000</u>	<u>\$ 4,750,000</u>	<u>\$ 5,844,000</u>	<u>\$ 7,252,000</u>	<u>\$ 8,616,000</u>	<u>\$ 9,137,000</u>
School District's covered payroll	\$ 9,850,285	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	27.56%	40.32%	27.18%	33.65%	41.60%	48.88%	51.98%
 LIFE INSURANCE PLAN	 2024	 2023	 2022	 2021	 2020	 2019	 2018
School District's proportion of the net OPEB liability	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%	0.0000000%
School District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability	<u>57,000</u>	<u>64,000</u>	<u>28,000</u>	<u>79,000</u>	<u>75,000</u>	<u>68,000</u>	<u>55,000</u>
Total	<u>\$ 57,000</u>	<u>\$ 64,000</u>	<u>\$ 28,000</u>	<u>\$ 79,000</u>	<u>\$ 75,000</u>	<u>\$ 68,000</u>	<u>\$ 55,000</u>
School District's covered payroll	\$ 9,850,285	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,644,154	\$ 9,468,438	\$ 9,674,029
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Information prior to 2018 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
County Employee Retirement Plan
Last Seven Years (1)

HEALTH INSURANCE PLAN	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School District's proportion of the net OPEB liability (asset)	0.12027400%	0.11677100%	0.12470000%	0.12523200%	0.12352000%	0.14399000%	0.14000000%
School District's proportionate share of the net OPEB liability (asset)	\$ (166,058)	\$ 2,304,492	\$ 2,387,319	\$ 3,023,972	\$ 2,077,568	\$ 2,556,425	\$ 2,773,970
State's proportionate share of the net OPEB liability	-	-	-	-	-	-	-
Total	<u>\$ (166,058)</u>	<u>\$ 2,304,492</u>	<u>\$ 2,387,319</u>	<u>\$ 3,023,972</u>	<u>\$ 2,077,568</u>	<u>\$ 2,556,425</u>	<u>\$ 2,773,970</u>
School District's covered payroll	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466	\$ 3,599,466
School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-4.77%	71.69%	75.09%	94.19%	66.67%	71.02%	77.07%

(1) Information prior to 2017 is not available.
Amounts presented as of the School District's measurement date which is the prior fiscal year.

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District OPEB Contributions
Teachers' Retirement System -Medical and Life Insurance Plans
Last Seven Years

MEDICAL INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 218,436	\$ 208,067	\$ 207,341	\$ 216,607	\$ 227,170	\$ 238,959	\$ 284,053
Contributions in relation to the contractually required contribution	<u>(218,436)</u>	<u>(208,067)</u>	<u>(207,341)</u>	<u>(216,607)</u>	<u>(227,170)</u>	<u>(238,959)</u>	<u>(284,053)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
School District's covered payroll	\$ 10,094,729	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438
Contributions as a percentage of covered payroll	2.16%	2.11%	2.09%	2.31%	2.48%	2.48%	3.00%
LIFE INSURANCE PLAN	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>						
Contribution deficiency (excess)	<u>\$ -</u>						
School District's covered payroll	\$ 10,094,729	\$ 9,850,285	\$ 9,922,679	\$ 9,368,115	\$ 9,155,425	\$ 9,644,154	\$ 9,468,438
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information.

Magoffin County School District
Required Supplementary Information
Schedule of School District OPEB Contributions
County Employee Retirement Plan
Last Seven Years

HEALTH INSURANCE PLAN	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ 138,251	\$ 129,425	\$ 119,088	\$ 89,164	\$ 73,101	\$ 169,175
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(138,251)</u>	<u>(129,425)</u>	<u>(119,088)</u>	<u>(89,164)</u>	<u>(73,101)</u>	<u>(169,175)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>						
School District covered payroll	\$ 3,578,439	\$ 3,484,314	\$ 3,214,480	\$ 3,179,432	\$ 3,210,423	\$ 3,116,138	\$ 3,599,466
Contributions as a percentage of covered payroll	0.00%	3.97%	4.03%	3.75%	2.78%	2.35%	4.70%

Pensions

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes of Assumptions

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2. Percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

A summary of the actuarial assumptions of the latest actuarial valuation follows.

MAGOFFIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Valuation Date	June 30, 2022
Actuarial Cost Method	Entry age
Inflation Rate	2.50%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	3.66%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net pension plan investment expense, including inflation

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value as assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

OPEB

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes in Assumptions

None

Actuarial Methods and Assumptions

The actuarially determined contributions rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.05%
Wage Inflation	3.50%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.00%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicar Part B Premiums	6.49% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate Subsidy is recognized) .

Life Insurance Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

MAGOFFIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.05%
Wage Inflation	3.50%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.50%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes in Benefit Terms

Please refer to P. 181 of KPPA's 2022 "Benefit Changes since the Prior Valuation"

Changes of Assumptions

None

Actuarial Methods and Assumptions

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value as assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 mortality improvement scale using a base year of 2019

MAGOFFIN COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2024

Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 14 years. The 2021 premiums were Known at the time of the valuation and were incorporated into the liability measurement
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 then Gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided "Not to Exceed" 2022 Medicare premiums, which wee incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

MAGOFFIN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

	<u>FSPK</u>	<u>Capital Outlay</u>	<u>Special Revenue School Activity</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,161,243	\$ 1,490,905	\$ 163,375	\$ 2,815,523
Accounts receivable	-	-	-	-
Total assets	<u>\$ 1,161,243</u>	<u>\$ 1,490,905</u>	<u>\$ 163,375</u>	<u>\$ 2,815,523</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	1,161,243	1,490,905	163,375	2,815,523
Total fund balances	<u>1,161,243</u>	<u>1,490,905</u>	<u>163,375</u>	<u>2,815,523</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,161,243</u>	<u>\$ 1,490,905</u>	<u>\$ 163,375</u>	<u>\$ 2,815,523</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2024

	FSPK	Capital Outlay	Special Revenue School Activity	Total
Revenues:				
From local sources:				
Property taxes	\$ 407,162	\$ -	\$ -	\$ 407,162
Student activities	-	-	614,642	614,642
Intergovernmental - state	1,363,780	174,305	-	1,538,085
Total revenues	<u>1,770,942</u>	<u>174,305</u>	<u>614,642</u>	<u>2,559,889</u>
Expenditures:				
Instruction	-	-	613,634	613,634
Total expenditures	<u>-</u>	<u>-</u>	<u>613,634</u>	<u>613,634</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,770,942</u>	<u>174,305</u>	<u>1,008</u>	<u>1,946,255</u>
Other financing sources (uses):				
Operating transfers (out)	(1,460,057)	-	-	(1,460,057)
Total other financing sources (uses)	<u>(1,460,057)</u>	<u>-</u>	<u>-</u>	<u>(1,460,057)</u>
Net change in fund balances	310,885	174,305	1,008	486,198
Fund balances at beginning of year	<u>850,358</u>	<u>1,316,600</u>	<u>162,367</u>	<u>2,329,325</u>
Fund balances at end of year	<u>\$ 1,161,243</u>	<u>\$ 1,490,905</u>	<u>\$ 163,375</u>	<u>\$ 2,815,523</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

**COMBINING BALANCE SHEET
SCHOOL ACTIVITY FUNDS**

June 30, 2024

	Magoffin Co High School	Magoffin Co Career & Tech	Herald Whitaker Middle	North Magoffin Elementary	South Magoffin Elementary	Salyersville Grade School	Total
Assets:							
Cash and cash equivalents	\$ 87,256	\$ 3,862	\$ 50,200	\$ 2,692	\$ 12,479	\$ 6,886	\$ 163,375
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 87,256</u>	<u>\$ 3,862</u>	<u>\$ 50,200</u>	<u>\$ 2,692</u>	<u>\$ 12,479</u>	<u>\$ 6,886</u>	<u>\$ 163,375</u>
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:							
School activities	87,256	3,862	50,200	2,692	12,479	6,886	163,375
Total liabilities, fund balances	<u>\$ 87,256</u>	<u>\$ 3,862</u>	<u>\$ 50,200</u>	<u>\$ 2,692</u>	<u>\$ 12,479</u>	<u>\$ 6,886</u>	<u>\$ 163,375</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
SCHOOL ACTIVITY FUNDS
Year ended June 30, 2024**

	<u>Magoffin Co High School</u>	<u>Magoffin Co Career & Tech</u>	<u>Herald Whitaker Middle</u>	<u>North Magoffin Elementary</u>	<u>South Magoffin Elementary</u>	<u>Salyersville Grade School</u>	<u>Total</u>
Revenues							
Student revenues	\$ 398,157	\$ 25,561	\$ 95,214	\$ 10,716	\$ 39,097	\$ 45,897	\$ 614,642
Expenses							
Student activities	386,821	31,059	93,137	14,224	36,369	52,024	613,634
Excess (Deficit) of Revenues over Expenses	11,336	(5,498)	2,077	(3,508)	2,728	(6,127)	1,008
Fund Balance-Beginning	75,920	9,360	48,123	6,200	9,751	13,013	162,367
Fund Balance - Ending	<u>\$ 87,256</u>	<u>\$ 3,862</u>	<u>\$ 50,200</u>	<u>\$ 2,692</u>	<u>\$ 12,479</u>	<u>\$ 6,886</u>	<u>\$ 163,375</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
SCHOOL ACTIVITY FUNDS**

Year ended June 30, 2024

	Fund Balance Beginning	Revenues	Expenses	Transfers	Fund Balance Ending
General Fund	\$ 170	\$ 972	\$ 844	\$ -	\$ 298
Academic Team	143	718	528	-	333
AP Exams	370	-	-	-	370
Student Vending	1,656	2,494	2,581	(4)	1,565
Weekly Attendance Incent	510	-	-	-	510
Faculty Beverage	48	2,770	2,180	-	638
Art Club	-	-	-	-	-
Key Club	570	-	-	-	570
Band	2,432	8,240	9,565	-	1,107
Beta Club	597	2,133	2,337	-	393
T-shirt Fund	545	-	-	-	545
HOSA	72	1,838	1,903	-	7
FCCLA	984	702	327	-	1,359
Choir	292	-	-	-	292
Peer Tutoring	186	-	120	-	66
Athletic Fund	12,256	80,503	66,396	(13,000)	13,363
Arbiter Pay	1,183	-	12,986	13,000	1,197
Boys Basketball	9,604	21,287	21,621	(500)	8,770
Girls Basketball	-	7,156	6,899	-	257
Cheerleading	1,285	14,112	10,944	-	4,453
Dance	172	30,158	22,553	-	7,777
Tennis	5	-	-	-	5
Volleyball	1,563	1,781	2,474	-	870
Track/Cross Country	9,313	10,492	10,042	-	9,763
Softball	362	6,240	4,192	-	2,410
Football	-	-	-	-	-
Baseball	1,874	1,942	2,369	-	1,447
57th District BB/FP	3,736	-	-	-	3,736
Senior Fund	16,428	101,905	99,121	(4,000)	15,212
Project Graduation	732	17,984	22,138	4,250	828
Junior Fund	489	37,128	36,168	250	1,699
Yearbook	5,786	2,925	6,390	-	2,321
WM Helton Scholarship	-	-	-	-	-
FRC Angel Tree	-	300	304	4	-
English Dept	19	-	-	-	19
57th District Tournament	-	41,839	41,839	-	-
	<u>73,382</u>	<u>395,619</u>	<u>386,821</u>	<u>-</u>	<u>82,180</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MAGOFFIN COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

FEDERAL GRANTOR <i>Passed Through Grantor</i> Program / Cluster Title	Assisted Listing Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$ 394,544
National School Lunch Program	10.555		920,064
Summer Food Service	10.559		28,111
Total Child Nutrition Cluster			<u>1,342,719</u>
State Administrative Grant for Nutrition	10.560		6,793
Passed through State Department of Agriculture			
Food Donation-Commodities	10.565		<u>70,841</u>
Total U.S. Department of Agriculture			<u>1,420,353</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education</i>			
Title 1 Grants to Local Education Agencies	84.010A		1,272,825
Special Education Grants to States	84.027A		518,772
COVID-19 ARP Individuals with Disabilities Education Ac	84.027X		107,848
Special Education - Preschool Grants	84.173A		38,467
Special Education Cluster Subtotal			
Vocation Education - Basic Grants to States	84.048		41,324
Rural Education	84.358B		46,325
Improving Teacher Quality State Grants	84.367A		178,624
COVID-19 ARP ESSER	84.425U		3,901,675
ARP ESSER Homeless Children and Youth	84.425W		6,099
Passed through Kentucky Office of Vocational Rehabilitation			
Adult Education-Basic Grants to States	84.002		27,238
Passed through Berea College			
Gear Up	84.334A		<u>64,188</u>
Total U.S. Department of Education			<u>6,203,385</u>
U.S. Department of Health and Human Services			
Passed through Big Sandy Area Community Action Program			
Head Start	93.600		<u>598,740</u>
Total U.S. Department of Health and Human Services			<u>598,740</u>
Total Expenditures of Federal Awards			<u>\$ 8,222,478</u>

The accompanying notes are an integral part of this Schedule.

MAGOFFIN COUNTY SCHOOL DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Magoffin County School District (the School District) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2024, the District received food commodities totaling \$70,841.

NOTE D – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of the Magoffin County School District
Salyersville, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Magoffin County School District, (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 31, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Circleville, Ohio
January 31, 2025



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education of the Magoffin County School District
Salyersville, Kentucky
And the State Committee for School District Audits

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Magoffin County School District’s, (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Magoffin County School District’s major federal programs for the year ended June 30, 2024. Magoffin County School District’s major federal programs are identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings.

In our opinion, Magoffin County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District’s Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group, Inc.
Portsmouth, Ohio
January 31, 2025

MAGOFFIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2CFR § 200.515(a)?	No
(d)(1)(vii)	Major Programs (list):	Elementary and Secondary School Emergency Relief Fund #84.425W/84.425U
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None

MAGOFFIN COUNTY SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
2 CFR § 200.511(b)
June 30, 2024

There were no prior year findings.

APPENDIX D
BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025

STATEMENT OF INDEBTEDNESS

5. The total amount of bonds, notes, and other obligations of the District subject to the debt limitation set forth in KRS Section 66.041 (Line 3 minus Line 4) is \$4,035,000*
6. The total amount of bonds, notes, and other obligations of the District subject to the debt limitation set forth in KRS Section 66.041, as computed in Line 5 above, does not exceed 2% of the assessed valuation of all of the taxable property in the District.**
7. The current tax rate of the District, for school purposes, upon the value of its taxable property is \$0.6020 per \$100 of assessed valuation for real property and \$0.6020 per \$100 of assessed valuation for tangible property, which does not exceed the maximum permissible aggregate tax rate for the District permitted by Kentucky law.
8. The issuance of the bonds, bond anticipation notes, or other obligations set forth in Line 3 hereof will not cause the tax rate set forth in Paragraph 7 hereof to increase in an amount which would exceed the maximum permissible aggregate tax rate for the District permitted by Kentucky law.

IN WITNESS WHEREOF, I have hereunto set my hand this July 29, 2025.

By: _____
Treasurer

* Preliminary, subject to change.

** In accordance with KRS Section 66.041, a city, county, urban-county, consolidated local government, charter county, or taxing district shall not incur net indebtedness to an amount exceeding the following maximum percentages on the value of taxable property within the city, county, urban-county, consolidated local government, charter county, or taxing district, as estimated by the last certified assessment previous to the incurring of the indebtedness:

- (a) Cities, urban-counties, consolidated local governments, and charter counties having a population of 15,000 or more, 10%;
- (b) Cities, urban-counties, and charter counties having a population of less than 15,000 but not less than 3,000, 5%;
- (c) Cities, urban-counties, and charter counties having a population of less than 3,000, 3%; and
- (d) Counties and taxing districts, 2%.

APPENDIX E
BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL



700 N. Hurstbourne Parkway
Suite 115
Louisville, Kentucky 40222
Telephone: 502-423-2000
Telefax: 502-423-2001
www.step-toe-johnson.com

_____, 2025

Board of Education of Magoffin County, Kentucky
Salyersville, Kentucky

Ladies and Gentlemen:

We have served as bond counsel to the Board of Education of Magoffin County, Kentucky (“Board”) and in such capacity have examined the transcript of proceedings for the issue of \$4,035,000 Board of Education of Magoffin County, Kentucky General Obligation Bonds, Series 2025 (the “Bonds”), dated July 29, 2025, numbered R-1 upward, and of denominations of \$5,000 or any integral multiple thereof. The Bonds are issued by the Board on behalf of the Magoffin County School District (“District”). The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based upon this examination, we are of the opinion, based upon the laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Board in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the Board, without limitation as to rate or amount.

2. Under the laws, regulations, rulings, and judicial decisions in effect on the date hereof, interest on the Bonds is excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in computing the Federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code.

3. Interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or any political subdivision thereof. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

The Board has designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In rendering this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the Board and the District and others contained in the transcript for the Bonds; which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and any other laws in effect from time to time affecting creditors' rights generally, and to the exercise of judicial discretion.

The opinions expressed in this letter are based upon the law in effect on the date hereof, and may be affected by actions taken or omitted or events occurring after the date hereof, including subsequent interpretations of the applicable law by competent judicial, regulatory and administrative authorities that modify, revoke, supplement, reverse, overrule or otherwise change applicable law and current interpretations thereof, and specifically by current or future legislative proposals, which, if enacted into law, could adversely affect the tax exemption of the interest on the Bonds. We assume no obligation to revise or supplement this opinion should such law be changed by legislative action, judicial decision, or otherwise, or to determine or to inform any person whether any such actions are taken or omitted or any such events occur.

APPENDIX F

**BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025**

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this “Certificate”) is executed and delivered as of July 29, 2025, by the Board of Education of Magoffin County, Kentucky (the “Issuer”), in connection with the issuance and delivery of \$4,035,000 aggregate principal amount of General Obligation Bonds, Series 2025 (the “Obligations”). The Obligations are being issued under and in accordance with a resolution duly adopted by the Board of Education of the Issuer on June 5, 2025 (the “Authorizing Legislation”). The Issuer hereby certifies, covenants, and agrees as follows:

Section 1. Purpose of this Certificate.

This Certificate is being executed and delivered by the Issuer to provide for the disclosure of certain information concerning the Obligations on an ongoing basis, as set forth herein, for the benefit of the Holders (as hereinafter defined) of the Obligations, in accordance with the provisions of Rule 15c2-12 of the Securities and Exchange Commission, as amended from time to time (the “Rule”).

Section 2. Definitions; Scope of this Certificate.

All capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Authorizing Legislation and the Obligations. Notwithstanding the foregoing, the term “Disclosure Agent” shall mean the Issuer or any disclosure agent appointed or engaged by the Issuer, and any successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

“Annual Financial Information” means a copy of the annual comprehensive financial report prepared for the Issuer, which shall include, if prepared, a balance sheet, a statement of revenues and expenditures, and a statement of changes in fund balances, generally consistent with the information set forth in Appendix C to the Offering Document. All of such Annual Financial Information shall be prepared using generally accepted accounting principles as applied to governmental units; provided, however, that the Issuer may change the accounting principles used to prepare such Annual Financial Information so long as the Issuer includes, as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change, and explaining how to compare the financial information provided by the differing accounting principles. Any items listed above may be set forth in other documents which have been transmitted to the MSRB, including any Offering Documents of debt issues of the Issuer or any related public entities, or may be included by specific reference to any documents available to the public on the MSRB’s Electronic Municipal Market Access (EMMA) system or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference. If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

“Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Obligations (including any persons holding the Obligations through nominees, depositories, or other intermediaries).

“Event,” with respect to the Obligations, means any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves, reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements, reflecting financial difficulties;

- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of any proposed or final determinations of taxability, any Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers (except any mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (ix) Defeasances;
- (x) Release, substitution, or sale of any property securing the repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership, or any other similar event of the Issuer (Note – This event is considered to occur upon the occurrence of any of the following events: The appointment of a receiver, fiscal agent, or other similar officer for the Issuer in any proceeding under the U.S. Bankruptcy Code or in any other proceeding under any state or federal law in which any court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the Issuer in possession of such assets or business but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
- (xiii) The consummation of a merger, consolidation, or other acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such actions, or the termination of a definitive agreement relating to such actions, other than in accordance with its terms, if material;
- (xiv) Appointment of any successor or additional trustee or the change of name of a trustee, if material;
- (xv) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or any other similar terms of any Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) Default, acceleration event, termination event, modification of terms, or any other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

The SEC requires the listing of (i) through (xvi), although some of such events may not be applicable to the Obligations.

“Financial Obligation” means (a) any debt obligation; (b) any derivative instrument entered into in connection with, or pledged as security or a source of payment for, any existing or planned debt obligation; or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Holders” means any holder or Beneficial Owner of the Obligations.

“MSRB” means the Municipal Securities Rulemaking Board.

“Offering Document” means the Official Statement dated July 8, 2025.

“Operating Data” means an update of certain operating data of the Issuer, which is limited to the information provided in the FOS under the headings “OUTSTANDING BONDS”, “BOND DEBT SERVICE”, “DISTRICT STUDENT POPULATION”, “LOCAL SUPPORT – Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment”.

“Participating Underwriter” means any of the original underwriters of the Obligations required to comply with the Rule in connection with the offering of the Obligations.

“SEC” means the Securities and Exchange Commission.

Section 3. Disclosure of Information.

(A) Information Provided to the Public. Except to the extent that this Certificate is modified or otherwise altered in accordance with Section 4 hereof, the Issuer shall make, or shall cause the Disclosure Agent to make, public the information set forth in subsections (i), (ii), and (iii) below:

(i) Annual Financial Information and Operating Data. The Annual Financial Information and Operating Data of the Issuer, at least annually, on or before nine (9) months after the end of each fiscal year ending June 30, commencing with the fiscal year ended June 30, 2025, and continuing with each fiscal year thereafter. If the Disclosure Agent is an entity or person other than the Issuer, then the Issuer shall provide the Annual Financial Information and Operating Data to the Disclosure Agent no later than fifteen Business Days before the disclosure date set forth above. The Annual Financial Information and Operating Data may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information; provided that the audited financial statements of the Issuer may be submitted separately from the other Annual Financial Information.

(ii) Event Notices. Notice of the occurrence of any Event, in a timely manner, not in excess of ten business days after the occurrence of the Event.

(iii) Failure to Provide Annual Financial Information or Operating Data. Notice of the failure of the Issuer to provide the Annual Financial Information or Operating Data by the disclosure date required by subsection (A)(ii) of this Section.

(B) Dates Information is to be Provided to the Public. The Annual Financial Information and Operating Data of the Issuer and, subject to the timing requirement set forth in subsection (A)(ii) of this Section, notices of Event occurrences shall be made public on the same day as notice thereof is given to the Holders of the outstanding Obligations, if such notice is required in accordance with the provisions of the Authorizing Legislation or the Obligations, and such information shall not be made public before the date of such notice.

(C) Means of Making Information Public.

(i) Information shall be deemed to have been made public by either the Issuer or the Disclosure Agent under this Certificate if such information is transmitted as provided in subsection (C)(ii) of this Section, by the following means:

(a) to all of the Holders of outstanding Obligations, by first class mail, postage prepaid;

(b) to the MSRB, in any electronic format prescribed by the MSRB, and accompanied by the identifying information prescribed by the MSRB; or

(c) to the SEC, by (1) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (2) first class mail, postage prepaid; provided, however, that the Issuer and the Disclosure Agent are authorized to transmit information to the SEC by any means that are mutually acceptable to the Issuer or the Disclosure Agent, as the case may be, and the SEC.

(ii) The following information shall be transmitted to the following parties:

(a) All information required to be provided to the public under subsection (A) of this Section shall also be transmitted to the MSRB.

(b) All information required to be provided to the public under subsection (A) of this Section shall be made available, upon request therefor, to any Holders of the Obligations, but need not be transmitted to the Holders of the Obligations who do not so request.

(iii) To the extent that the Issuer is obligated to file any Annual Financial Information and Operating Data with the MSRB under this Certificate, such Annual Financial Information and Operating Data may be set forth in a document or a set of documents transmitted to the MSRB or may be included by specific reference to any documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system or filed with the SEC.

(iv) The Issuer or the Disclosure Agent may require payment from the Holders of the Obligations in connection with any request from a Holder for any periodic information regarding the finances or operational data of the Issuer or for any information regarding the occurrence of an Event, as provided by subsection (C)(ii)(b) of this Section, by charging any Holder which makes such a request for (1) the reasonable costs incurred by the Issuer or Disclosure Agent in duplicating and transmitting the requested information to such Holder, and (2) the reasonable administrative expenses incurred by the Issuer or Disclosure Agent in providing the requested information to such Holder.

Section 4. Amendment or Modification.

Notwithstanding any other provision of this Certificate to the contrary, the Issuer may amend this Certificate and waive any provision hereof, so long as such amendment or waiver is supported by an opinion of nationally recognized bond counsel with expertise in federal securities laws, stating that such amendment or waiver would not, in and of itself, cause any of the undertakings set forth herein to violate the Rule if such amendment or waiver had been effective on the date hereof, but taking into account any subsequent change in the Rule or in the official interpretation thereof, as well as any change in circumstance.

Section 5. Miscellaneous.

(A) Termination of Certificate. The obligations of the Issuer and the Disclosure Agent, if any, under this Certificate shall terminate when all of the Obligations are, or are deemed to be, no longer outstanding by reason of the redemption or legal defeasance of the Obligations or upon the maturity thereof.

(B) Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (i) disseminating any other information using the means of dissemination set forth herein or by any other means of communication, or (ii) including any other information, in addition to the information that is required by this Certificate, in any Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided hereunder. If the Issuer chooses to include any other information in any Annual Financial Information,

Operating Data, or notice of the occurrence of an Event in addition to that which is specifically required under this Certificate, the Issuer shall have no obligation hereunder to update any such additional information or to include such information in any future Annual Financial Information, Operating Data, or notice of the occurrence of an Event provided under this Certificate.

(C) Defaults; Remedies. If the Issuer or the Disclosure Agent, if any, fails to comply with any of the provisions of this Certificate, any Holder of the Obligations may take any action as may be necessary and appropriate, including seeking an action in mandamus or for specific performance, to cause the Issuer or the Disclosure Agent, as the case may be, to comply with its respective obligations hereunder. Any default under this Certificate shall not constitute a default on the Obligations, and the sole remedy available in any proceeding to enforce this Certificate shall be an action to compel specific performance.

(D) Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Disclosure Agent, if any, the Participating Underwriter, and the Holders or Beneficial Owners of the Obligations and shall create no rights in any other person or entity.

Section 6. Additional Disclosure Obligations.

The Issuer hereby acknowledges and understands that other state and federal laws, including, but not limited to, the Securities Act of 1933, the Securities Exchange Act of 1934, and Rule 10b-5 promulgated thereunder, may apply to the Issuer and that, under some circumstances, compliance with this Certificate, without additional disclosures or other action, may not fully discharge all of the duties and obligations of the Issuer under such laws.

Section 7. Notices.

Any notices or communications to the Issuer may be given as follows:

To the Issuer: Board of Education of Magoffin County, Kentucky
109 Gardner Trail
Salyersville, Kentucky 41465
Attention: Chief Financial Officer
Telephone: (606) 349.6117

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APPENDIX G
BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered under the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of any sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between the Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and the Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase. Beneficial Owners of the Bonds are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of any notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants or Indirect Participants to Beneficial Owners of the Bonds will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails

an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (as identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from The City or the Paying Agent, on the payable date in accordance with their respective holdings, as shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as the securities depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX H

**BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$4,035,000*

BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2025

Notice is hereby given that electronic bids will be received by the Board of Education of Magoffin County, Kentucky (the “Board”), until 11:00 a.m., E.D.S.T. on July 8, 2025, at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622, receive sealed, competitive bids for the bonds of the Board described herein (the “Bonds”). To be considered, Bids must be submitted on an Official Bid Form and delivered to the Secretary of the Board at the address indicated, on the date of sale, no later than the hour indicated. Alternatively, electronic bids for the Bonds may be submitted through the BiDCOMP™/PARITY™ system, as described herein. Bids will be opened by the Secretary and may be accepted without further action by the Board.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

The Bonds are authorized by Sections 66.011 to 66.191, inclusive, of Kentucky Revised Statutes, as amended (the “General Obligation Act”), and Section 160.160 of Kentucky Revised Statutes, as amended, and are being issued under and in accordance with a Bond Resolution adopted by the Board on June 5, 2025 (the “Bond Resolution”). The Bonds are general obligation bonds and constitute a direct indebtedness of the Board. The Bonds are issued by the Board for the benefit of the Magoffin County School District (“District”). The Bonds are secured by the Board’s ability to levy, and its pledge to levy, an ad valorem tax on all property within the District in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purposes of (i) financing the costs of bus garage renovations and Magoffin County High School multi-purpose building (collectively, the “Project”) and (ii) paying all or a portion of the costs of issuance of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery, bearing interest from such date, payable on each February 1 and August 1, commencing February 1, 2026.

The Bonds are scheduled to mature on August 1, in each of the years as follows:

<u>Maturity</u>	<u>Amount*</u>	<u>Maturity</u>	<u>Amount*</u>
Aug. 1, 2026	\$10,000	Aug. 1, 2036	\$265,000
Aug. 1, 2027	10,000	Aug. 1, 2037	280,000
Aug. 1, 2028	10,000	Aug. 1, 2038	290,000
Aug. 1, 2029	70,000	Aug. 1, 2039	305,000
Aug. 1, 2030	70,000	Aug. 1, 2040	320,000
Aug. 1, 2031	70,000	Aug. 1, 2041	340,000
Aug. 1, 2032	70,000	Aug. 1, 2042	350,000
Aug. 1, 2033	75,000	Aug. 1, 2043	370,000
Aug. 1, 2034	75,000	Aug. 1, 2044	390,000
Aug. 1, 2035	255,000	Aug. 1, 2045	410,000

The Bonds maturing on or after August 1, 2034 are subject to optional redemption on August 1, 2033 or any date thereafter, in whole or in part, in such order of maturity as shall be designated in writing by the District, and by lot within a maturity, at the election of the District upon thirty-five days’ written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and

* Preliminary, subject to Permitted Adjustment as described herein.

Registrar for the Bonds (the “Paying Agent and Registrar”) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(i) Bid Form. Bids shall be for the entire issue and shall be made on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the lowest and best bid. Alternatively, electronic bids for the Bonds may be submitted through the BiDCOMP™/PARITY™ system, as described herein.

(ii) Minimum Bid. Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$3,954,300 (98% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS. Rates must be on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited.

(iii) Maximum Net Interest Cost. The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(iv) Award; Adjustment. The determination of the best purchase bid for each of the Bonds will be made on the basis of the lowest net interest cost to be calculated as that rate (or yield) which, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds, as set forth in the Official Bid Form for the Bonds, for exactly \$4,035,000 principal amount of Bonds offered for sale hereunder. Upon determination of the lowest net interest rate, the principal amounts of the Bonds shall be immediately adjusted by the Board in order to determine the maturities of the final bond issue. The successful bidder will be required to accept the Bonds in the amounts so computed, whether the principal amount has been increased or decreased in an amount up to 10% (the “Permitted Adjustment”) and to pay the purchase price based upon the aggregate amount of the final issue.

The Board also has the right to adjust individual principal maturity amounts, even if the total amount of the Bonds does not change, in order to promote the desired annual debt service levels. In the event that the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter’s Discount of the Bonds, as submitted by the successful bidder, will be held constant. The Underwriter’s Discount is defined as the difference between the purchase price of the Bonds submitted by the successful bidder and the price at which the Bonds will be offered to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

(v) Good Faith Deposit. The successful purchaser shall be required (without further advice from the Board) to wire transfer an amount equal to 2% of the par amount of the Bonds to the Paying Agent by the close of business of the day following the award as a good faith deposit. The good faith deposit will be applied (without interest) to the purchase price of the Bonds upon the delivery thereof, and will be forfeited if the purchaser fails to take delivery of the Bonds.

(vi) Interest Rates. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(vii) Submission of Bids. If submitted in physical form, each bid on the Official Bid Form shall be placed in a sealed envelope addressed to the Board, and on the outside of the envelope, there shall appear a legend identifying the same as being a bid for the “Board of Education of Magoffin County, Kentucky General Obligation Bonds, Series of 2025.” No bid will be given consideration unless it is actually received or is in the process of telephonic transfer in the office of the Executive Director of the Kentucky School Facilities Construction Commission before the time set forth at the beginning of these Official Terms and Conditions.

Electronic proposals will also be received via BIDCOMP™/PARITY™, in the manner prescribed by these Official Terms and Conditions, until 11:00 a.m., E.D.S.T., on July 8, 2025, and no bid received after such time shall be accepted. Electronic bids for the Bonds must be submitted through the BIDCOMP™/PARITY™ system, and no other provider of electronic bidding services will be accepted. A subscription to the BiDCOMP™/PARITY™ System is required in order to submit an electronic bid for the Bonds. The Board will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids, whether in electronic or written form. Electronic bids made through the BiDCOMP™/PARITY™ facilities shall be deemed an offer to purchase in response to the Notice of Bond Sale, and shall be binding upon such bidders as if made by signed, sealed, and written bids delivered to the Board. The Board shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. To the extent any instructions or directions provided by the BIDCOMP™/PARITY™ system conflict with these Official Terms and Conditions, the terms of these Official Terms and Conditions shall control. For additional information regarding the BIDCOMP™/PARITY™ system, potential bidders may contact the Independent Registered Municipal Advisor or BIDCOMP™/PARITY™ at 40 West 23rd Street, 5th Floor, New York, New York 10010, Telephone: (212) 404-8102.

(viii) Term Bond Option. The purchaser of the Bonds may specify that any of the Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise a Term Bond, bearing a single rate of interest, maturing in the latest of such years, and subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such Bonds comprising such Term Bond, which principal amount shall mature in that year.

(ix) Bond Insurance. If the successful bidder desires to obtain insurance guaranteeing the payment of the principal of and/or interest on the Bonds, the Board agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Board shall not be liable to any extent therefor.

(x) DTC. The successful bidder may also elect to notify the Independent Registered Municipal Advisor within twenty-four hours of the award that standard bond certificates be issued. If no such election is made, the Bonds will be delivered using the book-entry only system administered by DTC.

(xi) Acceptance of Bid. The Board will accept a bid or reject all bids on the date stated at the beginning of these Official Terms and Conditions.

(xii) Right to Reject Bids. The right to reject bids for any reason deemed advisable by the Board and the right to waive any possible informalities or irregularities in any bid which, in the judgment of the Board, shall be minor or immaterial is expressly reserved.

(xiii) Official Statement. The Board will provide the successful purchaser of the Bonds with a Final Official Statement, in accordance with Securities and Exchange Commission Rule 15c2-12, as amended. The Final Official Statement will be provided to the purchaser of the Bonds in electronic form, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The purchaser will be required to pay for the printing of the Final Official Statement.

(xiv) CUSIPs. CUSIP identification numbers will be printed on the Bonds at the expense of the District. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(xv) Rights Reserved. The Board reserves the right to reject any and all bids for the Bonds, to waive any informality in any bid, or, upon 24 hours advance notice before the sale date provided through the BiDCOMP™/PARITY™ system, to postpone the sale date of the Bonds. The Bonds are offered for sale subject to the principal of and interest on the Bonds not being subject to federal income taxation nor being subject to Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the purchaser, all in accordance with the final approving legal opinion of Steptoe & Johnson PLLC, Louisville, Kentucky, which opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(xvi) Independent Registered Municipal Advisor. Bidders are advised that RSA Advisors, LLC, Lexington, Kentucky has been employed as an Independent Registered Municipal Advisor in connection with the issuance of the Bonds. Its fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(xvii) Purchaser Certification. The purchaser of the Bonds shall assist the Board in establishing the issue price of the Bonds and shall execute and deliver to the Board at closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the Board under these Official Terms and Conditions to establish the issue price of the Bonds may be taken on behalf of the Board by the Board’s Independent Registered Municipal Advisor identified herein and any notice or report to be provided to the Board shall be provided to the Board’s Independent Registered Municipal Advisor.

The Board intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each of the Bonds (the “competitive sale requirements”) because:

- (1) the Board shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Board may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Board anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth herein.

Any bid submitted pursuant to these Official Terms and Conditions shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

If the competitive sale requirements are not satisfied, the Board shall advise the applicable winning bidder. The Board will treat the initial offering price to the public as of the sale date of any maturity of the

Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and, if different interest rates apply within any maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the Board determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids for the Bonds on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the Board in establishing the issue price of the Bonds and shall execute and deliver to the Board at Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity).

The Board acknowledges that, in making the representations set forth above, the winning bidder will rely on (a) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (b) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (c) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Board further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid for the Bonds, each bidder confirms that: (1) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (2) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”), the Board will execute and deliver a Continuing Disclosure Certificate to be dated the date of issuance of the Bonds (the “Continuing Disclosure Certificate”), the form of which is set forth in “Appendix H – Form of Continuing Disclosure Certificate” to the Preliminary Official Statement, for the benefit of all parties who may become registered owners or beneficial owners of the Bonds from time to time. Under the Continuing Disclosure Certificate, so long as the Bonds remain outstanding, the Board will agree to comply with the provisions of the Rule.

The Board intends to file all future Annual Financial Information within the time requirements set forth in the Continuing Disclosure Certificate and has adopted policies and procedures to ensure the timely filing thereof. The Board’s policies and procedures are available to the public upon request.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludable from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”) and will not be an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. Further, Bond Counsel is of the opinion that interest on the Bonds is exempt from income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Board has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code.

A copy of the approving legal opinion of Bond Counsel for the Bonds is set forth in Appendix G to the Preliminary Official Statement.

The Code imposes various restrictions, conditions, and requirements with respect to the exclusion of interest on certain obligations, including the Bonds, from gross income for federal income tax purposes. The Board has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will be excludable from gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Bonds. The approving legal opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or any events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other documents related thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in the Bonds or such other documents. Bond Counsel expresses no opinion as to any Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Steptoe & Johnson PLLC.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludable from gross income for federal income tax purposes and that interest on the Bonds will be excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder’s federal, state, or local tax liabilities. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers under Section 265 of the Code. Finally, the residence of a bondholder in a state other than Kentucky or a bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such bondholder by such states or their political subdivisions based on the interest or other income from the Bonds.

BOARD OF EDUCATION OF MAGOFFIN
COUNTY, KENTUCKY

By: /s/ Chris Meadows, Secretary

APPENDIX I

**BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2025**

OFFICIAL BID FORM

OFFICIAL BID FORM
 BOARD OF EDUCATION OF MAGOFFIN COUNTY, KENTUCKY
 GENERAL OBLIGATION BONDS, SERIES 2025

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$4,035,000 of General Obligation Bonds, Series 2025 (the “Bonds”), dated their date of initial issuance and delivery, offered for sale by the Board of Education of Magoffin County, Kentucky (the “Board”) in accordance with the Preliminary Official Statement dated July 1, 2025 and the related Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$4,035,000 principal amount of the Bonds, the total sum of \$ _____ (not less than \$3,954,300) at the following annual rate(s), payable semiannually (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on August 1 in the years as follows:

<u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>
Aug. 1, 2026	\$10,000	_____ %	Aug. 1, 2036	\$265,000	_____ %
Aug. 1, 2027	10,000	_____ %	Aug. 1, 2037	280,000	_____ %
Aug. 1, 2028	10,000	_____ %	Aug. 1, 2038	290,000	_____ %
Aug. 1, 2029	70,000	_____ %	Aug. 1, 2039	305,000	_____ %
Aug. 1, 2030	70,000	_____ %	Aug. 1, 2040	320,000	_____ %
Aug. 1, 2031	70,000	_____ %	Aug. 1, 2041	340,000	_____ %
Aug. 1, 2032	70,000	_____ %	Aug. 1, 2042	350,000	_____ %
Aug. 1, 2033	75,000	_____ %	Aug. 1, 2043	370,000	_____ %
Aug. 1, 2034	75,000	_____ %	Aug. 1, 2044	390,000	_____ %
Aug. 1, 2035	255,000	_____ %	Aug. 1, 2045	410,000	_____ %

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via BiDCOMP™/PARITY™ pursuant to this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Bonds” or (ii) by facsimile transmission, in each case delivered to the office of the Executive Director of the Kentucky School Facilities Construction, 200 Mero Street, 5th Floor, Frankfort, Kentucky 40622. Neither the Board nor the Independent Registered Municipal Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts.

It is understood that the Board will furnish the final, approving legal opinion Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost from July 29, 2025 to final maturity \$ _____
 Plus discount or less any premium \$ _____
 Net interest cost (Total interest cost plus discount) \$ _____
 Average interest rate or cost _____%

The above computation of true interest cost is submitted for information only and is not a part of this Bid.

Accepted by the Secretary of the Board of Education of Magoffin County, Kentucky for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>
Aug. 1, 2026	\$ _____	_____ %	Aug. 1, 2036	\$ _____	_____ %
Aug. 1, 2027	\$ _____	_____ %	Aug. 1, 2037	\$ _____	_____ %
Aug. 1, 2028	\$ _____	_____ %	Aug. 1, 2038	\$ _____	_____ %
Aug. 1, 2029	\$ _____	_____ %	Aug. 1, 2039	\$ _____	_____ %
Aug. 1, 2030	\$ _____	_____ %	Aug. 1, 2040	\$ _____	_____ %
Aug. 1, 2031	\$ _____	_____ %	Aug. 1, 2041	\$ _____	_____ %
Aug. 1, 2032	\$ _____	_____ %	Aug. 1, 2042	\$ _____	_____ %
Aug. 1, 2033	\$ _____	_____ %	Aug. 1, 2043	\$ _____	_____ %
Aug. 1, 2034	\$ _____	_____ %	Aug. 1, 2044	\$ _____	_____ %
Aug. 1, 2035	\$ _____	_____ %	Aug. 1, 2045	\$ _____	_____ %

Secretary, Board of Education
of Magoffin County, Kentucky

Dated: July 8, 2025